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Foreign Affairs Committee

FCO performance and finances 2011–12

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written evidence*

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The Foreign Affairs Committee

The Foreign Affairs Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Foreign and Commonwealth Office and its associated agencies.

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Summary

The Foreign Secretary's intention is that the UK's Diplomatic Service should be the best in the world by 2015. That is a laudable ambition, which we support; but we do not believe that the FCO has yet devised a method for measuring performance which would allow it to make a properly substantiated judgment on whether the Diplomatic Service is the best in the world; indeed, we suspect that no such method exists.

The FCO initially aimed to generate £240 million from sales of property assets between April 2011 and March 2015 for reinvestment in the estates capital budget. Eighteen months into that period, only about £36 million had been raised from sales, and the target has now been reduced to £140 million. The original estimate was clearly poorly founded: there were forecasting failures within the FCO, and the Department should summarise the action which it has taken to improve its procedures for assessing future needs across the estate and its forecasting of local property markets.

The FCO's refusal to provide precise information on staffing at each post hinders the Committee in its work. We recommend that the FCO, in confidence and on an annual basis, supply the Committee with exact numbers of staff at each post, broken down between UK-based and locally engaged staff. Rounded figures for each post should be published each year in the Department's Annual Report and Accounts. The FCO should also be prepared to supply the Committee, on request and in confidence, with a breakdown of staffing at each post in any specified country, by function, currently and for each of the preceding ten years.

The FCO is moving inexorably towards the point where 70% of its workforce will be locally engaged. That could place the *esprit de corps* of UK-based staff at risk; and to exceed the 70% threshold could concentrate certain duties on UK-based staff and place them under unacceptable stress. We recommend that the FCO give an undertaking that the 70% threshold for locally engaged staff will not be breached.

While we accept that the Department needs to promote people who have proven managerial and leadership skills, we do not accept that a framework for promotion based upon general competencies should entirely neglect an essential skill in many FCO postings at different grades: facility in a foreign language. The risk is that there may not in future be an adequate supply of staff who have all of the skills and credibility needed to command respect in key diplomatic postings. We endorse the Foreign Secretary's vision in this field; but we believe that the FCO should make changes to the criteria for promotion in order to achieve it.

We do not see how the BBC World Service can plan properly how to reflect its priorities from April 2014 according to the new Operating Licence, or pursue its new objectives or shape its output, given that the Licence is likely to be published only a few months before it comes into force. A draft Operating Licence should be shared with the BBC World Service without delay and the forthcoming consultation on the Licence should take place as early as possible—ideally before the summer. The BBC Trust should announce as soon as possible what the funding for the BBC World Service will be from April 2014 onwards.

There is logic in withdrawing BBC World Service short-wave radio broadcasts where the audiences which they attract have dwindled and where other forms of broadcast can be widely received. However, we believe that the World Service must continue to take into account significant audiences in certain parts of the world, such as rural India and Africa, who currently rely on short-wave radio.

We do not accept that the distinct interests of the BBC World Service will be fully represented at the BBC's Executive Board by the Director of News. The BBC should allow for some form of direct representation from the BBC World Service at the BBC Executive Board, at least when key strategic and financial decisions are to be taken.

The British Council's cultural and educational aims are ends in themselves, but the Council is also a major instrument of UK public diplomacy and "soft power". The UK currently performs well in the global contest for soft power, but that contest takes place in an increasingly crowded field and against increasingly well-resourced competitors. The Council has so far responded positively to the challenges of the 2010 Spending Review, but warned this year that if cuts to FCO grant continue at a similar rate after the Review period ends in 2015, it will struggle to marry its role helping deliver the UK's foreign policy objectives with its increasingly entrepreneurial approach.

We urge the Department to pay heed to these concerns. Trading off the competitive advantage the UK currently enjoys in public diplomacy in exchange for savings that are, in the wider scheme of things, relatively minor would be the worst sort of false economy. We believe that the FCO should shield the Council from the effect of any further cuts to the Department's budget in 2015-16.

Conclusions and recommendations

Introduction

1. We commend the Department for its openness in providing the Committee with quarterly bulletins of management information. (Paragraph 1)

FCO ambition and performance

2. Performance measurement regimes which are based on large numbers of indicators and quantitative targets might work for some Government departments but are ill-suited to the work of the FCO. (Paragraph 7)
3. We welcome the FCO's decision to make greater use of peer review. The FCO is correct to value and trust the views of those whose work leads them to engage with the Department on a regular basis and who are well placed to identify weaknesses in performance. Despite the limitations of the FCO's own process for measuring its performance, the scores which result may over time give a useful indication of trends, and they complement other 'harder' forms of assessment. We recommend that, in the interests of transparency, the FCO should publish the methodology which underlies its framework for performance measurement. We do not believe, however, that the FCO has yet devised a method for measuring performance which would allow it to make a properly substantiated judgment on whether the Diplomatic Service is the best in the world; indeed, we suspect that no such method exists. (Paragraph 15)

FCO network

4. We have not received direct negative feedback on changes to consular services in Europe, but we shall watch closely for any indication that services are not meeting the needs of users. We request that the FCO inform us what requirements are placed upon Honorary Consuls to disclose their financial and business interests before appointment. (Paragraph 18)
5. We acknowledge the relatively high cost of maintaining a full-time presence in Basra (£6.5 million per annum), but we question whether a major reduction in British presence and profile in Basra is wise at a time when stability throughout Iraq is far from assured and when there is uncertainty about the security of transit routes for oil via the Gulf. The effect of the staffing changes in Iraq announced by the Foreign Secretary on 16 October 2012 is unclear. We seek reassurance that the FCO's ability to continue its political work in Iraq and to monitor human rights in the country will not diminish as a result, and we ask the FCO to spell out what the impact of the changes will be on overall FCO staff numbers and distribution within the country. (Paragraph 19)
6. We reiterate our support for the Foreign Secretary's policy of re-orienting the FCO's resources towards countries which will be more politically and economically influential in the long term. It is likely, however, that the increase in the number of

posts will mean that UK-based staff are more thinly spread and that there will be a greater reliance on locally engaged staff. (Paragraph 20)

FCO estate

7. We welcome the emphasis placed by the Permanent Under-Secretary on sharing overseas premises with other Government departments and publicly-funded bodies. We believe that there is significant scope in this area to generate savings for the taxpayer and to strengthen the UK's identity locally by concentrating representation of different arms of Government in shared premises overseas. (Paragraph 24)
8. The original estimate by the FCO that asset sales of £240 million could be achieved between 2011 and 2015 was poorly founded: there were forecasting failures within the FCO, and lessons should be learnt. We recommend that the FCO, in its response to this Report, should summarise the action which it has taken to improve its procedures for assessing future needs across the estate and its forecasting of local property markets. (Paragraph 34)

Disposition of staff

9. We recommend that the FCO, in confidence and on an annual basis, supply the Committee with exact numbers of staff at each post, broken down between UK-based and locally engaged staff. We recommend that rounded figures for each post should be published each year in the Department's Annual Report and Accounts. We further recommend that the FCO should be prepared to supply the Committee, on request and in confidence, with a breakdown of staffing at each post in any specified country, by function, currently and for each of the preceding ten years. The Committee would expect to make such requests in respect of any country which is the subject of an inquiry. We also request that the FCO supply us with a current figure for the proportion of locally engaged staff globally who are engaged in diplomatic or policy work, rather than administrative work. (Paragraph 39)

Staffing at overseas posts

10. The FCO's career development offer for staff at administrative grades is not as attractive as it used to be. Despite efforts being made by the FCO to improve the situation, there is a risk of widespread demotivation, which could have long-term consequences for the pool of experience for administrative work overseas. We are particularly concerned that the majority of FCO staff do not believe that promotion within the department is made on merit. (Paragraph 48)
11. We recommend that the FCO give an undertaking that the 70% threshold for locally engaged staff will not be breached. (Paragraph 49)
12. There will always be areas of the world where staff employed by the FCO are at risk of attempts at coercion, threat or intimidation. The FCO has a duty of care to all of its staff, and we are encouraged to see evidence that it is prepared to try to secure diplomatic immunity for certain locally engaged staff. However, the FCO should consider whether the undeniable demand for parity of treatment between locally

engaged and UK-based staff (which is likely to become more pronounced if locally engaged staff increasingly take on diplomatic work) may over time erode the projected savings from ‘localisation’. (Paragraph 52)

Career development and promotion

13. Given that the language allowance is a key incentive for language training, we invite the FCO to increase the size of the allowance. (Paragraph 58)
14. We accept that the Department needs to promote people who have proven managerial and leadership skills. We do not accept, however, that a framework for promotion should entirely neglect an essential skill in many FCO postings at different grades: facility in a foreign language. For some posts, a lack of fluency in the local language will limit the credibility of the postholder. The risk in relying upon promotion by general competency, which excludes technical competencies such as language skills, is that it may not provide the upper echelons of the Diplomatic Service with an adequate supply of staff who have all of the skills and credibility needed to command respect in key diplomatic postings. We endorse the Foreign Secretary’s vision in this field; but we believe that the FCO should make changes to the criteria for promotion in order to achieve it. (Paragraph 61)

Security at overseas posts

15. We endorse the approach taken by the FCO in treating the safety of staff as paramount and removing them from a mission or residence if there appears to be a serious risk from civil unrest. (Paragraph 64)
16. We strongly welcome the indication by the Permanent Under-Secretary that the FCO would be willing to seek extra funding from the Treasury if there were to be a new threat to security which emerged rapidly, was systemic, and needed to be addressed across the overseas estate without delay. (Paragraph 65)

BBC World Service

Overall Direction

17. We find it unacceptable that the BBC World Service will not know for certain either the priorities, targets or characteristics which have been set for it, or its budget from April 2014 onwards, until only a few months before the new arrangements for oversight and funding come into effect. We do not see how the BBC World Service can plan properly how to reflect its new priorities, pursue its new objectives or shape its output according to the Operating Licence given the short lead-in time. (Paragraph 68)
18. We recommend that a draft Operating Licence should be shared with the BBC World Service without delay and that the forthcoming consultation on the BBC World Service’s Operating Licence should take place as early as possible—ideally before the summer—and should be on the basis of a published draft. (Paragraph 68)

19. We believe that the time for hints and aspirational statements is now past: it is in the interests of the public and of the World Service itself for the BBC Trust to announce as soon as possible what the funding for the BBC World Service will be from April 2014 onwards. (Paragraph 70)

Delivery of services

20. We believe that the World Service must continue to take into account significant audiences in certain parts of the world, such as rural India and Africa, who currently rely on short-wave radio. (Paragraph 75)
21. The BBC World Service should take care that the practice of embedding its programming in the output of local partner stations does not lead to a dilution of the World Service brand and the standards which are associated with it. It should also be constantly alert to the risk of associating with a partner which subsequently turns out to be subject to political control or undue personal influence. (Paragraph 77)

Freedom of expression

22. We seek reassurance from the BBC World Service that it has in place measures to mitigate risks to BBC World Service reporters gathering video footage in the field. (Paragraph 78)
23. We urge the Foreign and Commonwealth Office to maintain pressure at the highest levels on those countries which deny media freedom and which block access to BBC World Service programmes and online content. Any relaxation of such pressure would be noted by the host country and would be interpreted as a softening of the UK's approach. (Paragraph 80)

Governance

24. We do not accept that the distinct interests of the BBC World Service will be fully represented at the BBC's Executive Board by the Director of News. (Paragraph 83)
25. We recommend that the BBC should allow for some form of direct representation from the BBC World Service at the BBC Executive Board, at least when key strategic and financial decisions are to be taken. (Paragraph 83)

The British Council

The 2010 Spending Review and the British Council

26. We urge the Council, and its trustees, to be continually vigilant in ensuring that it retains its good name and integrity as it becomes more financially dependent on earned income. (Paragraph 101)
27. We urge the FCO to pay heed to the British Council's concerns about its future funding, after the current Spending Review period ends. The Council's main role is to promote British culture and education, which is an end in itself. In so doing,

however, it both generates trust and deploys influence, from which the UK as a whole benefits. The UK currently performs well in the global contest for soft power, but that contest takes place in an increasingly crowded field, and against increasingly well-resourced competitors. Trading off the advantage the UK currently enjoys in that field– and all the benefits, tangible and intangible, that come with it– in exchange for relatively minor savings on the FCO balance sheet would be the worst sort of false economy. Accordingly, the Committee believes that the FCO should shield the British Council from the effect of any further cuts to the Department’s budget in 2015–16. (Paragraph 102)

The Council’s role in relation to higher and further education

28. The British Council’s important work promoting tertiary education, and promoting the UK as a place to study in and to carry out research, gives it insight into the impact of the Government’s student visa policy. It is therefore worrying to hear the Council warn that the policy is being interpreted in some parts of the world as a message that the UK does not welcome foreign students. The Government should consider this warning carefully. Whatever the merits of the policy, a revision of how it is being communicated is called for. (Paragraph 108)

1 Introduction

1. It is our practice to report annually on the administration and finance of the Foreign and Commonwealth Office and two of its sponsored bodies: the BBC World Service and the British Council. Although we have taken as a starting point in each case the Annual Report or Annual Review of the organisation concerned, our observations are based upon a wide variety of sources, including correspondence with the Committee Chair through the course of the year, Parliamentary Questions, and oral and written evidence to this inquiry and indeed others. We have also drawn heavily on quarterly updates on management issues supplied by the Foreign and Commonwealth Office and published by us on the Parliamentary website.¹ **We commend the Department for its openness in providing the Committee with quarterly bulletins of management information.**

2. We are grateful to all those who have contributed to this short inquiry, and particularly so to those who gave oral evidence and who are listed on page 49 of this Report. Where we have reached conclusions, these are presented in bold type; where we have made recommendations, these are presented in bold italic type.

1 <http://www.publications.parliament.uk/pa/cm201213/cmselect/cmfaaff/writev/fcomanage/contents.htm>.

2 FCO ambition and performance

3. The Foreign Secretary has announced his intention that the UK's Diplomatic Service should be the best in the world by 2015.² That is a laudable ambition, which we support. However, it begs questions about what makes one diplomatic service better than any other, and how pre-eminence can be proved.

The Diplomatic Excellence initiative

4. The FCO has articulated what the Department should “look and feel like” by 2015 through the Diplomatic Excellence initiative. Shortly after the initiative's launch in December 2010, Mr Simon Fraser, Permanent Under-Secretary of State at the Department, described Diplomatic Excellence to us as:

our programme for reform and modernisation of the FCO ... The Diplomatic Excellence Programme will have three interlinked goals of first class foreign policy and diplomacy, a strong global network, and a strong and skilled workforce. It will build on the gains we've made over the last few years on leadership, management, diversity in the broadest sense, and the modernisation of our corporate functions, but place a strong, renewed emphasis on driving forward excellent policy-making and diplomatic skills across the FCO in London and abroad.³

The concept has since been further developed. In April 2012, the FCO produced for staff a document which set out a vision for the FCO; identified values (taking responsibility, encouraging innovation, and working together) and explained what each of those meant in the FCO's context; and listed “top ten things to improve to achieve our ambition”.⁴ These are reproduced in the table overleaf:

2 See speech by the Foreign Secretary on 8 September 2011: “The best diplomatic service in the world: strengthening the Foreign and Commonwealth Office as an institution”, <https://www.gov.uk/government/speeches/the-best-diplomatic-service-in-the-world-strengthening-the-foreign-and-commonwealth-office-as-an-institution>; also Foreign and Commonwealth Office Annual Report and Accounts 2011-12, page 3.

3 Letter from Simon Fraser to the Committee on FCO management issues, August to December 2010: see *FCO performance and finances*, Third Report from the Committee, HC 572, Session 2010-11, Ev 60

4 *Key Documents*, FCO, April 2012

The FCO – “top 10 things to achieve our ambition”

Policy

Our policies need to be hard headed and focussed on delivering the national interest
 Our policies need to be bolder, more imaginative, and take on the strategic challenges around the globe
 Our policy advice needs to be more action orientated, clearly identifying the next steps for delivery

People

Our staff should be regarded as undeniable experts on local, country and regional knowledge, language skills, and negotiation skills
 Our organisational culture needs overtly to support innovation and diversity
 We need to put the right people in the right jobs and allow them time to develop expertise

Network

We need to get our ICT to serve us better in our core business of information, insight and wisdom on foreign affairs
 We need to continue to meet our annual budget spends within +/- 1%
 We need to complete our network shift to emerging countries as quickly as possible

Overarching

Communicate Diplomatic Excellence; simply, meaningfully, inclusively

5. There is little that is contentious in the core statements which comprise the Diplomatic Excellence programme. The overall intentions are sound and admirable. Most of the specific aims for improvement are clearly worded and avoid vagueness, although we have concerns about the first in the list, given the wide scope for debate about what constitutes the national interest (and indeed how separate but competing interests should be balanced).

Measuring the performance of the Department

6. It is impossible to tell at this stage what chance the Diplomatic Excellence initiative will have of bringing the UK's Diplomatic Service to the position where it is perceived to be the best in the world. That will depend both upon the impact of the initiative and on the robustness of performance measures. The aspiration to be the best in the world by 2015 can only be symbolic unless there is a respected system for international comparison.

7. As Simon Fraser, the Permanent Under-Secretary, told us in evidence, measuring the impact of diplomacy has always been a tricky question.⁵ Under the previous Government, the Department was measured against Public Service Agreements (PSAs) and Departmental Strategic Objectives, each with “target indicators”. In December 2009, the FCO was reporting on progress against 46 such indicators, ranging from the very high-level (“a downward trend in the number of conflicts globally”) to the specific (FCO contribution to “a significant increase in the number of foreign national prisoners and failed asylum seekers returned to countries of origin”). Some were vague and virtually incapable of measurement: “The network remains flexible” or “International institutions which are more representative of the modern world, more effective, efficient and coherent”. The evidence base supporting measurements varied enormously, from

apparently subjective assessments by the FCO itself to clear and unprompted commendations of FCO activity from respected sources, such as court judgments or key international figures.⁶ Our predecessors expressed exasperation with the PSA regime, arguing that the system was less appropriate for the FCO than for other Departments where outcomes could be more easily measured.⁷ We agree: **performance measurement regimes which are based on large numbers of indicators and quantitative targets might work for some Government departments but are ill-suited to the work of the FCO.**

8. The Coalition Government has dispensed with PSA targets and instead requires Departments to publish (and update on a rolling basis) Business Plans. The latest published version of the FCO's Business Plan, dating from September 2012, lists 46 specific actions⁸ and a start date and end date for each.⁹ A commentary is provided for actions where the end date has been reached, either signing off the action or explaining why completion is overdue. The FCO also publishes input and impact indicators for its Business Plan,¹⁰ mostly in the form of benchmark costs. It is not clear, however, how these link to (or have any bearing upon) the Business Plan itself. The value of the Business Plan as a performance measure is limited: it can indicate with precision timeliness or a delay in achieving a defined aim, but it cannot reflect quality of achievement.

9. There are other forms of oversight and performance assessment applicable to each department within Government: departmental Supervisory Boards, Capability Reviews, and scrutiny by Parliamentary select committees. The FCO's Supervisory Board, which meets quarterly, has 12 members: four Ministers, four top-level FCO officials and four non-executives.¹¹ The lead non-executive Board member is Sir Richard Lambert, who we met for an informal discussion in November 2012. The Supervisory Board is not involved in detail or decision-making: it is there to supervise and challenge, focussing on management issues. There is no regularly published output.

10. The Capability Review framework was launched by Sir Gus O'Donnell, as Cabinet Secretary, in 2005. Capability Reviews are led by reviewers external to the department being reviewed, and they aim to improve the capability of the Civil Service to meet delivery objectives; to assure the public and ministers that the Civil Service leadership is equipped to develop and deliver departmental strategies; and to help departments act on long-term key development areas. Following each Review, a department will publish a Capability Action Plan; the latest Capability Review of the FCO and the subsequent Action Plan were published together as a single document in March 2012. Much of that Review was positive, commending the FCO for impressive leaders, a committed workforce, and crisp, clear and visible strategic priorities. However, more weaknesses were identified than in the previous

6 FCO Autumn Performance Report 1 October 2008 to 30 September 2009

7 *Foreign and Commonwealth Office Annual Report 2007–08*, Second Report from the Foreign Affairs Committee, Session 2008–09, HC 195, paragraph 48

8 Such as "Support further enlargement of the EU, and promote stability in the Western Balkans through introducing the EU Accession Bill (Croatia) into Parliament"

9 <https://www.gov.uk/government/publications/foreign-and-commonwealth-office-business-plan-2012>; but the Business Plan is not reliably available at this web address

10 Current version at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/32970/indicators-nov-2012.pdf

11 FCO Annual Report and Accounts 2011–12, HC 59, Session 2010–12, page 67

Review, in March 2009. Areas needing improvement included the Department's management of knowledge and information, and the use of evidence and knowledge in decision-making.¹²

11. In addition to cross-Government frameworks for performance assessment, the FCO has developed two forms of peer review of its performance and policy. The Secretary of State announced in November 2011 that he had formed an advisory group of senior FCO alumni, to be known as the Locarno Group, which would “support and challenge the FCO in its consideration of foreign policy”.¹³ The Group convenes formally at least once a year for discussions with the Foreign Secretary, and Ministers and senior officials may consult group members at other times as a sounding board. In practice, the Group has met four times since its creation.¹⁴ Members, who are unpaid, are selected for their breadth of experience and expertise. The Group's membership when first formed is listed below:

Membership of Locarno Group (as in November 2011)

- Sir Michael Arthur (former HMA Berlin)
- Sir Daniel Bethlehem (former FCO Legal Adviser)
- Charles Crawford (former HMA Warsaw)
- Sir William Ehrman (former HMA Beijing)
- Dame Glynne Evans (former HMA in Santiago and Lisbon)
- Ann Grant (former Director, Africa Department, and High Commissioner in Pretoria)
- Sir Jeremy Greenstock (former UK Permanent Representative to the UN)
- Sir John Holmes (former Under-Secretary General for Humanitarian Affairs, UN)
- Matthew Kirk (former HMA Helsinki)
- Kate Smith (FCO secondee to Shell as Head of Government Relations)
- Sir Stephen Wall (former UK Permanent Representative to the EU)

In December 2012, the Secretary of State wrote to the Committee Chair to say that Kate Smith would be returning to the FCO and leaving the Group, and that two new members would be appointed to the Group: Sir William Patey, former HMA in Kabul, and Dame Anne Pringle, former HMA in Moscow.

12. In addition to the specialist advice from the Locarno Group on policy matters, the FCO has established an external scrutiny panel of 60 to 70 opinion formers, including business leaders, Whitehall officials, academics, journalists, and the Chair of this Committee. The panel first met to discuss the FCO's performance in March 2012, and a similar event is scheduled for May 2013.¹⁵

13. The FCO has drawn up a measurement framework as part of its ambition to be the best diplomatic service in the world: this framework consists of input from the external panel described above and an internal performance-measuring process “that assesses both quantitatively and qualitatively how well the FCO is doing on the programmes that

12 <http://www.civilservice.gov.uk/wp-content/uploads/2012/04/2012-02-07-FCO-Capability-Action-Plan-2011-CO-version-v6.pdf>

13 HC Deb, Written Ministerial Statement, 23 November 2011, col 20W5

14 HC Deb, 11 February 2013, col. 487W

15 *FCO Management Matters*, July to September 2012 Quarterly Update, see <http://www.publications.parliament.uk/pa/cm201213/cmselect/cmfaaff/writev/fcomanage/contents.htm>

underpin Diplomatic Excellence”. The framework has been endorsed by the Office of National Statistics and the National Audit Office, and the FCO told us that it was “perceived to be an example of best practice by the Cabinet Office”. Assessment against that framework yields a single score out of 10 “supported by other metrics and considerable qualitative evidence”. When the framework was tested in early 2012 as a “light-touch review”, the results were 6.5 out of 10 (FCO self-assessment) and 6.8 out of 10 (assessment by external partners).¹⁶

14. Not too much should be read into the precise scores, which are based largely on subjective assessment, particularly if the methodology is not published. Mr Rycroft, Chief Operating Officer at the FCO, told us that the process was “more art than science”,¹⁷ and Mr Fraser himself accepted that the framework was “indicative” rather than a precise exercise.¹⁸ He nonetheless believed that the Treasury felt that the FCO was being serious about trying to measure its own performance.¹⁹

15. We welcome the FCO’s decision to make greater use of peer review. The FCO is correct to value and trust the views of those whose work leads them to engage with the Department on a regular basis and who are well placed to identify weaknesses in performance. Despite the limitations of the FCO’s own process for measuring its performance, the scores which result may over time give a useful indication of trends, and they complement other ‘harder’ forms of assessment. We recommend that, in the interests of transparency, the FCO should publish the methodology which underlies its framework for performance measurement. We do not believe, however, that the FCO has yet devised a method for measuring performance which would allow it to make a properly substantiated judgment on whether the Diplomatic Service is the best in the world; indeed, we suspect that no such method exists.

16 FCO Management Issues Quarterly Update, February to April 2012, see <http://www.publications.parliament.uk/pa/cm201213/cmselect/cmfaff/writev/fcomanage/contents.htm>

17 Q 6

18 Q 5

19 Q 7

3 FCO network

16. The Foreign Secretary announced within weeks of taking office that the Government rejected the idea of “strategic shrinkage”, and that there was a need to retain the global diplomatic network and to increase “our close understanding of complex parts of the world”.²⁰ In May 2011, he announced his intentions for a “Network Shift” to expand connections with emerging powers, stating that “the case for a strengthened network is utterly compelling”.²¹ He expanded on this theme at a speech at the British Academy on 17 October 2012, when he observed that “the number of centres of decision-making in the world is growing” and that the UK needed its diplomats to be present in as many countries as possible across the world.²²

17. In our report last year on the FCO’s Departmental Annual Report 2010-11,²³ we summarised the changes that would occur to the overseas network over the life of this Parliament. Developments since that Report was prepared include:

- The opening of an embassy in Bishkek, Kyrgyzstan, on 14 March 2012;
- The announcement on 26 April 2012 of plans to open an embassy in Laos and a British interests office in Naypyitaw, Burma;²⁴
- The upgrading of the Political Office in Abidjan (Cote d’Ivoire) to an Embassy in May 2012;
- The upgrading of the trade office in Hyderabad, India, to a Deputy High Commission in June 2012;
- The announcement on 21 June 2012 of plans to open an embassy in Haiti and to re-open an embassy in Paraguay;²⁵
- The opening of a new British Office in Hargeisa, Somaliland, from 3 September 2012;²⁶
- The upgrading of the trade office in Calgary, Canada, to a Consulate-General in September 2012;
- The commencement of work towards the re-opening of the Embassy in Antananarivo, Madagascar, by March 2013;²⁷ and

20 HC Deb 26 May 2010, cols 174-5

21 HC Deb, 11 May 2011, col 1166

22 <https://www.gov.uk/government/speeches/foreign-secretary-speech-on-diplomatic-tradecraft>

23 Eleventh Report from the Committee, Session 2010-12, HC 1618, paragraph 17

24 HC Deb 26 April 2012, col 45WS. The FCO later informed us that the premises in Naypyitaw would provide office space and overnight accommodation for diplomatic staff but would not be public-facing, at least for the time being. See *FCO Management Matters October to December 2012*, <http://www.publications.parliament.uk/pa/cm201213/cmselect/cmfaff/writev/fcomanage/contents.htm>

25 HC Deb 21 June 2012 col 67WS

26 HC Deb 7 September 2012, col 38WS. The Office will not, for now, be permanently staffed, nor will it provide consular services. It will, however, enable officials to stay in Hargeisa for short periods to carry out diplomatic work.

- The opening of new embassies in Vientiane, Laos, in October 2012, and in San Salvador, El Salvador, in November 2012.²⁸

Mr Fraser, Permanent Under-Secretary at the FCO, told us that he saw the Network Shift to emerging powers or growing economies as a long-term, 20-year investment.²⁹

18. The Network Shift is intended to be “broadly resource neutral”, with expansion in some areas to be balanced by contraction in others, notably in Iraq and Afghanistan, and in subordinate posts in Europe.³⁰ Consular services in Europe are being reshaped: several consular offices have closed or are about to close, including those at Florence, Venice, Lille, Naples and Andorra, and consular services are increasingly being centralised and handled online or by phone from contact centres, with staff ready to be deployed locally as necessary.³¹ More use is being made of honorary consuls in the provision of urgent face-to-face consular services (for instance in Naples and Andorra).³² Consular representation in the Balearic Islands has also been restructured, and additional staff are being recruited to front-line work; but the number of senior, supervisory staff will decrease, and there will no longer be a resident consul in Palma, Majorca.³³ **We have not received direct negative feedback on changes to consular services in Europe, but we shall watch closely for any indication that services are not meeting the needs of users. We request that the FCO inform us what requirements are placed upon Honorary Consuls to disclose their financial and business interests before appointment.**

19. Significant changes are being made to the UK’s representation in Iraq, in an effort to develop the economic relationship with the country and to make it easier for British businesses to operate there. Additional staff are being recruited to offices in Baghdad and in Erbil (in the Kurdistan Region); but the British embassy office in Basra, in the south of the country, will no longer be permanently staffed. The FCO argues that the improving security situation in Iraq now enables Embassy staff to fly directly from Baghdad to Basra in one hour, rather than the 48-hour journey which was previously required.³⁴ Nonetheless, this will have been a difficult decision for the FCO, given the UK’s long association with the southern governorates in Iraq and the region’s major role as a point of export for the country’s oil. **We acknowledge the relatively high cost of maintaining a full-time presence in Basra (£6.5 million per annum), but we question whether a major reduction in British presence and profile in Basra is wise at a time when stability throughout Iraq is far from assured and when there is uncertainty about the security of transit routes for oil via the Gulf. The effect of the staffing changes in Iraq announced by the Foreign Secretary on 16 October 2012 is unclear. We seek reassurance that the**

27 The Embassy in Antananarivo had opened by early February: see *FCO Management Matters, October to December 2012*, <http://www.publications.parliament.uk/pa/cm201213/cmselect/cmfaaff/writev/fcomanage/contents.htm>

28 See HC Deb 12 February 2013 col 650W

29 Q 18

30 FCO Annual Report and Accounts 2011–12, HC 59, Session 2012–13, page 11

31 Mr Fraser Q 16

32 Honorary consuls are not employed by the FCO or by local Embassies and receive no salary, although they may claim for an annual stipend. Honorary Consuls are not expected to work independently but rather to carry out work on instruction from the superintending post.

33 HC Deb 5 December 2012, col. 787W

34 HC Deb 16 October 2012, cols 18–9WS

FCO's ability to continue its political work in Iraq and to monitor human rights in the country will not diminish as a result, and we ask the FCO to spell out what the impact of the changes will be on overall FCO staff numbers and distribution within the country.

20. We reiterate our support for the Foreign Secretary's policy of re-orienting the FCO's resources towards countries which will be more politically and economically influential in the long term. It is likely, however, that the increase in the number of posts will mean that UK-based staff are more thinly spread and that there will be a greater reliance on locally engaged staff. We return to this issue later in this Report.

4 FCO estate

21. The FCO's overseas estate encompasses some 5,000 properties, ranging from Embassy and High Commission buildings to residential accommodation for staff. Approximately 54% of properties are leased and 46% are owned.³⁵

Use of FCO premises by other Government departments

22. The FCO's overseas estate accommodates staff both from the FCO and from other UK Government departments and public bodies. In 2011, 25 Government departments or publicly-funded organisations used or shared FCO premises.³⁶ Such arrangements should generate savings to public funds; yet the Government has not always made the most of opportunities for savings. The Public Accounts Committee reported in September 2011 that there was insufficient integration in the management of Government properties overseas, and it noted that

The expense of co-locating with the Foreign and Commonwealth Office discourages other government organisations from sharing the Department's space overseas. Some departments have therefore moved out of the Foreign and Commonwealth Office's properties. As a result there is potential duplication of costs, with a risk of the taxpayer paying for multiple government buildings in one location.³⁷

The high costs to these organisations of using FCO premises arose from the Treasury requirement that the FCO had to charge full economic costs for use of its accommodation overseas, including security costs. We note the FCO's statement, in its Capability Action Plan 2011, that the charging regime "had had a corrosive effect on relationships" with other Government departments.³⁸

23. A new charging agreement has since been drawn up, allowing for diminishing charges over a four-year period. Mr Fraser told us that the new regime offered "clarity and stability" for other Government departments and that the number of staff from other departments working on FCO premises overseas had risen from 1,500 two years ago to 1,800. It is expected that 70% of the Department for International Development's overseas staff will soon be based on FCO "platforms".³⁹

24. Mr Fraser told us that he saw a need for greater efficiency in co-operation and co-location overseas.⁴⁰ We agree. **We welcome the emphasis placed by the Permanent**

35 FCO Annual Report and Accounts 2011-12, HC 59, Session 2012-13, page 49

36 The organisations most heavily represented were UKTI (present at 152 posts), UK Border Agency (120 posts), Ministry of Defence (70), Serious Organised Crime Agency (39), Department for International Development (26), the British Council (20) and HM Revenue and Customs (19). See 48th Report of the Public Accounts Committee, *Spending Reduction in the Foreign and Commonwealth Office*, HC 1284, Session 2010-12, Ev 18-9

37 48th Report from the Public Accounts Committee, *Spending Reduction in the Foreign and Commonwealth Office*, HC 1284, Session 2010-12, conclusion 4

38 <http://www.civilservice.gov.uk/wp-content/uploads/2012/04/2012-02-07-FCO-Capability-Action-Plan-2011-CO-version-v6.pdf>, page 17

39 Q 33

40 Q 33

Under-Secretary on sharing overseas premises with other Government departments and publicly-funded bodies. We believe that there is significant scope in this area to generate savings for the taxpayer and to strengthen the UK's identity locally by concentrating representation of different arms of Government in shared premises overseas.

Co-location with other diplomatic services

25. The FCO told us in October 2012 that it had been “increasingly looking at co-location with friendly foreign missions” and that it was “now mandatory for all business cases regarding the development of the estate to address this option”.⁴¹ In a letter to the Chairman of the House of Lords Select Committee on the European Union, on 10 October 2012, the Secretary of State said that “the decision to establish co-located missions is generally driven by pragmatic, cost-sharing objectives” and that “we are open to considering the case for such arrangements where we have a constructive relationship with the third countries or organisations concerned”.⁴²

26. Co-location entails a sharing of services such as utilities and security but not a single, unified diplomatic representation. A Memorandum of Understanding signed on 24 September 2012 set out a framework for the UK and Canada to co-locate in premises where it was of mutual benefit. The Secretary of State stated explicitly that the Memorandum “does not impact our respective autonomy in making or delivering policy, and none of our respective diplomats will work for each other’s governments”.⁴³

27. Co-location is not by any means a new concept for the FCO, which is already co-located with Canada in Bamako (Mali) and Rangoon; with Germany in Madagascar, North Korea, Ecuador and Tanzania;⁴⁴ with France in Niger, Sierra Leone and Goma (Democratic Republic of the Congo); with the Netherlands in Moldova; with New Zealand and Estonia in Kabul; and with a number of partners in Baghdad and Beirut. In many of these cases, the co-location is not on FCO premises but on those of the partner country. We note that the FCO also plans to co-locate with Germany in Port of Spain (Trinidad and Tobago); with Canada in Port-au-Prince (Haiti); and with Australia in Dakar (Senegal).⁴⁵

28. Mr Fraser described co-location as “one of the answers for the future, so that we can seek to manage ourselves as efficiently as we can within the budget that we have”, arguing that “if we can save money on premises, we can spend more money on people”.⁴⁶ We asked him whether he was satisfied that confidentiality and security could be assured in such circumstances. Mr Fraser replied that in some cases the two missions would have purpose-

41 FCO Management Issues, July to September 2012, <http://www.publications.parliament.uk/pa/cm201213/cmselect/cmfaaff/writev/fcomanage/contents.htm>

42 <http://www.parliament.uk/documents/lords-committees/eu-sub-com-c/cwm/CWMsubCmay31Oct2012.pdf>

43 <http://www.parliament.uk/documents/lords-committees/eu-sub-com-c/cwm/CWMsubCmay31Oct2012.pdf>

44 The European External Action Service is co-located with the FCO on the German “platform” in Dar-es-Salaam, Tanzania

45 See Q 31 and HC Deb, 11 February 2013, col 487-8W

46 Q 31

built buildings in which they might be operating on different floors, and he stressed that preservation of security was “an absolute requirement on our part”.⁴⁷

‘Iconic’ properties

29. We have in the past expressed strong reservations about the sale of “iconic” properties which enhance the status of the UK in a way which cannot be quantified by any financial valuation. While it has not felt able to give us a categorical assurance that it would rule out the sale of any iconic or nationally important property, the FCO confirmed in June last year that it had no plans in place for any such sale; and it reassured us that the Committee would be notified in advance of potential future estate sales.⁴⁸ We were heartened to hear Mr Fraser tell us in November that certain diplomatic assets around the world had “intangible value” and were “national assets” rather than just Foreign Office assets, which could be used to great effect to project Britain.⁴⁹

The target for property sales

30. The FCO’s capital budget for 2011–12 was £115 million: this is set to reduce to £102 million in 2012–13 and 2013–14, before falling to £98 million in 2014–15.⁵⁰ In addition to the annual capital budget, the FCO has agreed with HM Treasury that up to £100 million in income from the sale of properties each year may be reinvested into the network. When we published our report last year on the FCO’s performance and finances, the FCO was aiming to generate £240 million in sales over the period from April 2011 to March 2015.

31. We expressed scepticism in last year’s report about the FCO’s chances of success in achieving this target, averaging £60 million of sales per year, describing it as “extremely optimistic”.⁵¹ When the FCO responded to our report, in June 2012, it continued to refer to “the sale of £240 million of assets over four years”, which it maintained was “challenging but realistic”.⁵² Despite the ambitious target, one and a half years into this four-year period, only about £36 million had been raised from sales.⁵³

32. By October, however, the FCO had estimated that it would be seeking only £200 million to fund capital investment in the FCO’s estate over the Spending Review period, and that it would therefore be seeking only £200 million from asset sales.⁵⁴ Matthew Rycroft, Chief Operating Officer at the FCO, explained that the decision to make the change had been prompted by the Committee’s warnings about the dangers of going too far, too fast in selling heritage buildings, and by decisions to defer certain capital projects.

47 Q 39

48 Government response to the Eleventh Report from the Committee, Session 2010–12, Cm 8360, page 7

49 Q 53

50 FCO Annual Report and Accounts 2011–12, HC 59, Session 2012–13, Page 23. The figure for 2011–12 is for estimated outturn; other figures are for planned expenditure.

51 *FCO Performance and Finances*, Eleventh Report from the Committee, Session 2010–12, HC 1618, paragraph 26

52 Cm 8360, page 6

53 Q 41

54 *FCO Management Issues, July to September 2012*,
<http://www.publications.parliament.uk/pa/cm201213/cmselect/cmfaaff/writev/fcomanage/contents.htm>

He also pointed out that “spiralling property prices” in certain parts of the world would enable the FCO to generate much higher revenue from sales than had been anticipated.⁵⁵ The sale of the High Commission compound in Kuala Lumpur, confirmed in December 2012, is one example, raising approximately £60 million for reinvestment by the FCO in its estates capital programme.⁵⁶

33. Further exchanges, however, revealed that the £200 million figure was not a target for property sales but for finance to be raised for capital spending. £60 million would come from other sources, such as sums initially set aside for IT projects which would now be deferred. The true target for receipts from property sales from April 2011 to March 2015 is therefore £140 million.⁵⁷

34. The original estimate by the FCO that asset sales of £240 million could be achieved between 2011 and 2015 was poorly founded: there were forecasting failures within the FCO, and lessons should be learnt. We recommend that the FCO, in its response to this Report, should summarise the action which it has taken to improve its procedures for assessing future needs across the estate and its forecasting of local property markets.

55 Q 40

56 *FCO Management Issues, October to December 2012*,
<http://www.publications.parliament.uk/pa/cm201213/cmselect/cmfaaff/writev/fcomanage/contents.htm>

57 Q 48-9

5 FCO staff

Disposition of staff

35. According to the FCO Annual Report and Accounts for 2011-12, the core FCO⁵⁸ employed 13,215 permanent staff: 4,530 of these were UK-based, and 8,685 were locally engaged. Figures derived from the 2006-07 FCO Departmental Annual Report, which may not be strictly comparable, indicate that in 2006 there were approximately 16,200 staff, of whom 6,190 were full-time equivalent UK-based staff, and approximately 10,000 were locally engaged overseas.⁵⁹

36. Until 2005, the FCO published an annual Diplomatic Service List, which included a directory of UK-based diplomatic staff at each British mission overseas. Certain locally engaged staff in consular posts were also included. The Diplomatic Service List is no longer published, and no breakdown of staffing by name and function is available. In response to a recommendation by this Committee in February 2011,⁶⁰ the FCO published the numbers of staff at each post, rounded up,⁶¹ and the ratio of locally engaged staff to UK-based staff in each case. For “operational and security reasons”, the FCO said that it could not give a more detailed breakdown, nor could it discuss the situation in individual posts or comparisons between them.⁶²

37. We raised this issue with Mr Fraser during the course of this inquiry, pointing out that the limited information provided on a one-off basis did not allow the Committee to track trends in staffing of overseas posts. Mr Fraser maintained that there were areas of management information where provision was “less easy for us because of the nature of our overseas operations and the fact that we work with other parts of Government”. We invited Mr Fraser to share detailed information with us on a confidential basis, but he felt unable to go further than the rounded figures already provided.⁶³

38. We recognise that there are concerns about providing a full breakdown in public of staffing at posts. However, it is difficult for the Committee to keep track of the deployment of staff and trends across the FCO network if comparable information is not provided regularly over a period of time. For instance, in our recent work on British foreign policy and the ‘Arab Spring’, we were told anecdotally that staffing levels at posts in North Africa had decreased in recent years; but there was no series of published figures available to chart trends in numbers of staff or their functions.

58 Excluding staff employed by Wilton Park (an Executive Agency) and by “other designated bodies”: see FCO Annual Report and Accounts 2011-12, page 92

59 Foreign and Commonwealth Office Departmental Report 2006-2007, Cm 7099, page 134

60 *FCO Performance and Finances*, Third Report of Session 2010-11, HC 572, paragraph 47

61 Figures for posts with fewer than 100 staff were rounded up to the nearest 5, and figures for those with 100 or more staff were rounded up to the nearest 10. No figure was given where there were five or fewer staff at the post.

62 Government response to the Third Report from the Foreign Affairs Committee of Session 2010-11, Cm 8060, page 7 and Annex 1

63 Q 59-60

39. The FCO's refusal to provide precise information on staffing at each post hinders the Committee in its work. *We recommend that the FCO, in confidence and on an annual basis, supply the Committee with exact numbers of staff at each post, broken down between UK-based and locally engaged staff. We recommend that rounded figures for each post should be published each year in the Department's Annual Report and Accounts. We further recommend that the FCO should be prepared to supply the Committee, on request and in confidence, with a breakdown of staffing at each post in any specified country, by function, currently and for each of the preceding ten years. The Committee would expect to make such requests in respect of any country which is the subject of an inquiry. We also request that the FCO supply us with a current figure for the proportion of locally engaged staff globally who are engaged in diplomatic or policy work, rather than administrative work.*

Staffing at overseas posts

Postings for UK-based staff

40. The FCO announced in February 2011 that overseas postings for the majority of staff at more junior grades—in Bands A and B—would cease. The number of such posts would reduce from 450 to 50 by April 2015, and the work would instead be performed by locally engaged staff or reconfigured and incorporated with other roles.⁶⁴ Mr Fraser was quite open to us in evidence in November 2011 about the reason for the decision, namely the cost. He estimated that the average net gain to the FCO from recruiting a locally engaged member of staff rather than a UK-based member of staff would be about £100,000 per year.⁶⁵ The FCO estimated that the change in policy would generate savings of up to £30 million per year.⁶⁶

41. Locally engaged staff are recruited within the host country for specific jobs in particular overseas missions, and are employed by the mission concerned rather than the FCO centrally. Locally engaged staff do not sign up to the global mobility obligation of UK-based staff and do not have the same terms and conditions as their UK-based counterparts.⁶⁷ They do not, for instance, automatically enjoy diplomatic immunity. The proportionate split between locally engaged permanent staff and UK-based permanent staff was approximately 62% to 38% in 2006, 66% to 34% in 2010, and again 66% to 34% in 2011.⁶⁸ The FCO expects that 70% of its workforce will be locally engaged by March 2015.⁶⁹ If the number of locally engaged staff is expressed as a proportion of FCO staff actually working overseas, then the percentage is considerably higher: 82.5%.⁷⁰

64 See *Departmental Annual Report 2010-11*, Eleventh Report from the Committee, Session 2010-12, HC 1618, paragraph 41

65 Q 74, evidence given on 8 November 2011, published with the Eleventh Report from the Committee of Session 2010-12, *Departmental Annual Report 2010-11*

66 See *Departmental Annual Report 2010-11*, Eleventh Report from the Committee, Session 2010-12, HC 1618, Ev 40

67 See Fifth Report from the Foreign Affairs Committee, *FCO Annual Report*, HC 145, Session 2009-10, paragraph 194

68 Figures for permanent staff taken from FCO Annual Reports and not necessarily fully compatible with each other

69 FCO Annual Report and Accounts for 2011-12, page 53

70 HC Deb 6 February 2012, col 51W

42. The PCS union objected to the FCO's plan to cut the number of overseas postings for staff at more junior grades, arguing that greater use of locally engaged staff would reduce the number of UK-based staff with experience of working abroad and would reduce the FCO's capacity to respond to a crisis.⁷¹ In evidence to this year's inquiry, the PCS pointed out that locally engaged staff did not receive security clearance to the same level, thereby limiting the work which they could undertake; nor did they benefit from full diplomatic immunity; nor were they under any obligation to be available for work at any hour of the day if circumstances required.⁷²

43. Recognising that staff in Bands A and B risked becoming demotivated by the new policy, the FCO increased targets for promotion to Band C,⁷³ increased the level of support available to those at Bands A and B, including coaching and mentoring, and introduced short-term overseas attachments⁷⁴ for junior grades. The FCO told us that these attachments had been well received and that both those taking part and the overseas posts involved had provided "resoundingly positive feedback".⁷⁵ We note that not all of the 200 postings have been taken up, although Mr Fraser told us that take-up had improved from 66% to 75%. For some staff, absence on a short posting was difficult; for others, lack of suitable notice was an issue. In some cases, line managers were proving reluctant to release staff.⁷⁶

44. The FCO told us in July 2012 that the Human Resources Directorate had agreed with posts which positions would be "eliminated".⁷⁷ Mr Fraser told us that "about 300 jobs" filled by overseas postings at Bands A and B would be lost; of these, 88 staff had already returned to the UK, and a further 55 were expected to return by the end of the 2012-13 financial year. He said that the majority of "returns" would occur in the 2013-14 financial year, as the FCO "wanted to give people time and phase this in over the spending round period".⁷⁸ We note that the original target of £30 million in savings was revised to £23 million "to reflect the Management Board's decision on the number of Band A and B positions overseas agreed for localisation or elimination".⁷⁹ Mr Rycroft explained that there were two reasons for this reduction: the number of jobs which were "in scope" had turned out to be 350 rather than 450, and the original target of £30 million had been based on assumptions and predictions that had "turned out not to be completely accurate".⁸⁰

71 See *Departmental Annual Report 2010-11*, Eleventh Report from the Committee, Session 2010-12, HC 1618, evidence from the PCS Union, Ev 63

72 Ev 41

73 Equivalent to Second Secretary in diplomatic posts. Band C is the first significant level for staff and resource management responsibility and policy development.

74 Typically of about three weeks: see footnote to Q 70

75 Government response to the Committee's Eleventh Report of Session 2010-12, Cm 8360, page 10-11

76 Q 70 and 71

77 May to July 2012 Quarterly Update on FCO Management Issues, <http://www.publications.parliament.uk/pa/cm201213/cmselect/cmfaaff/writev/fcomanage/contents.htm>

78 Q 63

79 May to July 2012 Quarterly Update on FCO Management Issues, <http://www.publications.parliament.uk/pa/cm201213/cmselect/cmfaaff/writev/fcomanage/contents.htm>

80 Q 68

45. We asked Mr Fraser about the current state of staff morale: in reply, he stressed the increased opportunities for promotion from administrative grades to diplomatic work at higher grades.⁸¹ However, we note that the pass rate for promotion from Band B to Band C is only 46% and that staff struggle to understand why good ratings for effectiveness at individual staff appraisals fail to translate to passing boards for promotion to higher grades. The FCO is aware of this and is taking steps to improve the prospects of those who apply for promotion, particularly from Band B to Band C.⁸² We asked about the rate of staff turnover, and Mr Fraser replied that there was not a problem with turnover in the FCO overall.⁸³ We asked the Department to supply us with more detailed figures on turnover during the course of the last three years, broken down by staff at different bands. Outflow figures at each Band for 2011–12 are lower than for each of the preceding two years, as is the number of staff permanently leaving the FCO.⁸⁴ We shall monitor carefully figures for the next few years, as the cutbacks in overseas postings take effect.

46. Other indicators of morale—direct and indirect—provide a mixed picture. If absence from work is treated as an indicator of levels of morale and contentment in employment, then the figure for the average number of working days lost by staff at A1 grade (the most junior grade) during the period from 1 July 2011 to 30 June 2012 appears startling: 24.4, up from 18.2 in the period from 1 October 2010 to 30 September 2011 and 8.6 in the period from 1 October 2009 to 30 September 2010.⁸⁵ However, the FCO subsequently indicated that the 24.4 figure had been distorted by a few instances of long-term sickness absence.⁸⁶ Figures for average working days lost at other administrative grades—A2 and B3—are in single figures and show only limited variance from those of previous years.⁸⁷

47. Staff survey results for 2012 were generally positive. Scores were consistently higher than for the Civil Service overall,⁸⁸ sometimes significantly so, for example for attachment and commitment to the Department. Scores also generally showed small (1% to 3%) increases upon those recorded for FCO staff in the previous survey (2011). However, low positive scores (below 50% agreeing with a positive statement) were recorded for satisfaction with pay, opportunities to develop a career in the FCO (46%), satisfaction with management of change (42%), and satisfaction that promotion was based upon merit (44%).⁸⁹

48. We concluded in our report last year on the 2011 Departmental Annual Report that the decision to reduce the number of overseas postings for UK-based FCO staff was “an error” and that the limited savings which would be achieved hardly justified the policy, given the effect upon morale and possible consequences for the FCO’s ability to respond quickly to

81 Q 66

82 *Excellence through People: One Global Workforce*, FCO, December 2012

83 Q 67

84 Ev 44–5

85 HC Deb 9 November 2012 col 813–4W

86 HC Deb, 13 December 2012, col 473W

87 HC Deb 9 November 2012, cols 813–4W

88 “Civil Service overall” as represented by the median percentage figures for positive responses across all organisations participating in the 2012 Civil Service People Survey

89 <https://www.gov.uk/government/publications/foreign-office-staff-survey-results-2012>

crises overseas.⁹⁰ Now that the target for savings to be achieved has diminished, from £30 million to £23 million, the value of this exercise seems to us to be even more in doubt. **The FCO's career development offer for staff at administrative grades is not as attractive as it used to be. Despite efforts being made by the FCO to improve the situation, there is a risk of widespread demotivation, which could have long-term consequences for the pool of experience for administrative work overseas. We are particularly concerned that the majority of FCO staff do not believe that promotion within the department is made on merit.**

49. We have in the past acknowledged that 'localisation' of staff could bring benefits and that locally engaged staff are a major strength of the FCO.⁹¹ We remain of that view. We have also warned, however, that the 'localisation' policy is not capable of indefinite extension.⁹² The FCO is moving inexorably towards the point where 70% of its workforce will be locally engaged. The *esprit de corps* of UK-based staff is already at risk and will need careful management if it is to be preserved. To exceed the 70% threshold might mean that duties which can only be undertaken by UK-based staff would be concentrated on fewer personnel, who could be placed under unacceptable stress as a result. ***We recommend that the FCO give an undertaking that the 70% threshold for locally engaged staff will not be breached.***

Terms and conditions for locally engaged staff

50. Employment contracts between the FCO's overseas posts and locally engaged staff are governed by the employment law of the host country, and their terms and conditions of employment therefore differ from those of UK-based staff. Mr Fraser saw no prospect of any change in this regard.⁹³ However, the FCO, recognising that locally engaged staff form an increasingly important element of the FCO's workforce, has taken steps to give them "some voice and a sense of belonging and participation in the Foreign Office as a whole". For instance, there is now more uniformity in grading structures for UK-based staff and locally engaged staff; and an attempt has been made to give locally engaged staff more of a right to comment on decisions made by the FCO in London.⁹⁴ The PCS told us that the FCO's initiative made it easier for locally engaged staff to be deployed in different locations around the world, including the UK.⁹⁵

51. We, and our predecessors, have drawn attention to the limited scope for locally engaged staff to enjoy any level of diplomatic immunity. Under the Vienna Convention on Diplomatic Relations, nationals of a receiving state who are working for a foreign diplomatic mission may receive diplomatic status only with the consent of the receiving state; even if that is granted, the level of diplomatic immunity is limited in comparison to

90 See *Departmental Annual Report 2010-11*, Eleventh Report from the Committee, Session 2010-12, HC 1618, paragraphs 44-5

91 See for example Seventh Report from the Committee, *The Role of the FCO in UK Government*, HC 665, Session 2010-12, paragraph 175; also *Departmental Annual Report 2010-11*, Eleventh Report from the Committee, Session 2010-12, HC 1618, paragraph 46

92 *FCO Performance and Finances*, Third Report from the Committee, HC572, Session 2010-11, paragraph 46

93 Q 78

94 Q 78

95 Ev 41

that enjoyed by nationals of the sending state.⁹⁶ Local courts can decide whether or not a particular act can be classified as ‘official’ and whether immunity can be upheld accordingly.⁹⁷

52. We asked the FCO to supply us with figures for the numbers of staff for whom the FCO had sought diplomatic and consular immunity. The FCO told us that requests had been made on 61 occasions (across 37 countries). Accreditation was granted in 45 cases and refused in eight cases. A further eight cases are outstanding. Mr Fraser told us that all Heads of Mission had been encouraged in November 2011 to seek to accredit their local staff as diplomatic agents or consular officers if their roles merited it.⁹⁸ **There will always be areas of the world where staff employed by the FCO are at risk of attempts at coercion, threat or intimidation. The FCO has a duty of care to all of its staff, and we are encouraged to see evidence that it is prepared to try to secure diplomatic immunity for certain locally engaged staff. However, the FCO should consider whether the undeniable demand for parity of treatment between locally engaged and UK-based staff (which is likely to become more pronounced if locally engaged staff increasingly take on diplomatic work) may over time erode the projected savings from ‘localisation’.**

Career development and promotion

53. The system for promotion of staff to middle-ranking and senior levels of the FCO uses core competencies: these are general skills such as leadership, managing and developing staff, strategic awareness, and communicating and influencing. Candidates are measured against the competencies pertaining to the job sought rather than the job already held, on the basis that that is a more effective method than staff appraisal for predicting potential at the higher band. The FCO provided sample lists of competencies and a full description of arrangements for promotion in written evidence to our inquiry into the Role of the FCO in UK Government.⁹⁹

54. We have challenged the Permanent Under-Secretary regularly since the start of this Parliament on the relative weight accorded to management skills and policy skills in decisions on promotion, and on the use of core competencies which take no account of language skills. Our concern, which persists, is that certain strengths, such as depth of understanding of a country or a highly developed ability to communicate in a local language, appear not to carry significant weight in comparison to more generic skills, including management skills, which make up the core competencies. Witnesses and others frequently stress the importance of language skills in diplomatic and commercial work. A former Ambassador to Bahrain, Robin Lamb, told us that a facility in Arabic could be a necessity for doing business outside a capital city; and he added that, even when interlocutors spoke English, they could warm to a person who had taken the trouble to learn the local language. Mr Lamb said that he was “a great fan” of including linguistic

96 *The role of the FCO in UK Government*, Seventh Report from the Committee, Session 2010–12, HC 665, paragraph 171 and Ev 136.

97 Ev 44

98 Ev 44

99 Seventh Report from the Committee, Session 2010–12, HC 665, Ev 95 to 129

ability in the promotion criteria, and Sir Roger Tomkys (also a former Ambassador to Bahrain) believed that downgrading linguistic competence was “a terrible mistake”.¹⁰⁰

55. In particular, it seems to us that the course being taken by the FCO is somewhat at odds with the tone of speeches by the Foreign Secretary. In evidence to us in September 2010, the Foreign Secretary signalled a wish to “tilt things” in a different direction – “to accentuate in a diplomat’s career the value of serving in a difficult place, or knowing a region of the world with great intimacy and ... the language expertise that comes from that”. His intention was that “the people who get to the top of the organisation 20 to 30 years from now [would] have come through that background.”¹⁰¹ When asked a few months later whether he planned to change the core competences that determined promotion, in order to reflect the new emphasis on geographical expertise, Mr Hague replied “Certainly, we will place a greater emphasis in the coming years on such matters as hard languages, as having served in difficult postings”, adding that “it’s necessary to have a really strong representation of those things in the top management of the Foreign Office in future years”.¹⁰²

56. However, Mr Fraser immediately followed Mr Hague’s response by saying that he was “not proposing to change” the current core competencies.¹⁰³ He defended that position in November 2011, saying that he did not think it would be appropriate to change the appraisal system “because it has served us well and it gives a common base against which everybody can be assessed”, and because “changing it would take a long time and would absorb a lot of administrative effort”. He did, however, concede that

It may be the case that in the past that that balance [between competencies and expertise] has shifted a bit towards rather generic competences, in some cases, rather than focusing also on the specific expertise that the individual brings. If that is the case, we need to make sure we redress that.¹⁰⁴

57. We raised the issue once again with Mr Fraser during the course of this inquiry. We pointed out that the Secretary of State, in a speech at the British Academy on 17 October 2012, had re-iterated his views on the subject, saying that “our diplomats need to have an unrivalled knowledge among diplomats of the history, culture, geography and politics of the countries they are posted to, and to speak the local languages”, adding that “this is a fundamental requirement of diplomacy and we have given renewed emphasis to it”.¹⁰⁵ Mr Fraser maintained that while promotion to a grade was on the basis of attainment against competencies, appointment to a particular job would take into account candidates’ skills and expertise, which would include language training. He warned against conflating the

100 *The UK’s relations with Saudi Arabia and Bahrain*, evidence taken on 22 January 2013, HC 917-i, Q 64

101 Evidence given on 8 September 2010, *Developments in UK foreign policy*, HC 438-i, Q 16

102 *The role of the FCO in UK Government*, Seventh Report from the Committee, Session 2010-12, HC 665, oral evidence given on 7 February 2011, Q 319

103 *The role of the FCO in UK Government*, Seventh Report from the Committee, Session 2010-12, HC 665, oral evidence given on 7 February 2011, Q 320

104 Evidence given on 8 November 2011, published in the Eleventh Report of the Committee, Session 2010-12, *Departmental Annual Report 2010-11*, Q 96.

105 <https://www.gov.uk/government/speeches/foreign-secretary-speech-on-diplomatic-trade-craft>

two;¹⁰⁶ and he pointed out that “somebody may be the most brilliant linguist but they may not be the most brilliant diplomat”.¹⁰⁷

58. We do not mean to imply that language skills are currently neglected by the Department. On the contrary, there is something of a renaissance: the FCO in-house language school, closed in October 2007 as a cost-saving measure,¹⁰⁸ is to be re-opened this year and will be located in the FCO’s King Charles Street premises. Current plans would allow about 1,000 students to attend the language school in any one year, including students from other Government departments; and about 30 private, individual tuition rooms would be provided alongside classrooms.¹⁰⁹ Mr Fraser reminded us that the FCO had significantly increased the money spent on language skills—from £3 million in 2010–11 to £3.9 million in 2011–12.¹¹⁰ We also note that training times for key languages such as Mandarin and Arabic are to increase.¹¹¹ **Given that the language allowance is a key incentive for language training, we invite the FCO to increase the size of the allowance.**

59. The FCO is also increasing the number of posts overseas for which local language skills are a requirement. That requirement might be for proficiency at ‘confidence’ level, at which someone would be able to deal confidently with routine everyday issues in the local language, or at a higher ‘operational’ level, roughly equivalent to degree level, or at ‘extensive’ level, representing the most advanced level of fluency.¹¹² The FCO told us that there are currently about 800 such posts—known as ‘speaker slots’—and that approximately 15% require proficiency at ‘confidence’ level, 65% at ‘operational’ level, and 20% at ‘extensive’ level.¹¹³ Mr Fraser told us that 101 Head of Mission posts carried a requirement that the postholder be able to speak the local language, and that “well over 90” of those postholders did so.¹¹⁴ While this may sound promising, there remains ambiguity about whether the level of proficiency in the local language attained by a postholder consistently matches that which is required (or desirable). We therefore asked for further information on how many postholders in posts where there was a language requirement had passed FCO exams in the local language at the level of proficiency required. The FCO has agreed to supply this information before Easter 2013.¹¹⁵

60. The FCO and the UK also suffer indirectly from the UK’s limited supply of graduates with the language skills that are necessary to work in the EU institutions. For instance, latest figures (from March 2013) indicate that 4.6% of the Commission staff are British; yet the UK population as a proportion of the total population of EU countries is 12%.¹¹⁶ Mr

106 Q 88

107 Q 92

108 FCO Departmental Report 2007–08, Cm 7398, p102

109 Q 97; see also HC Deb, 5 February 2013, col 166W

110 Q 91; also unpublished letter from the Secretary of State to the Committee Chair, dated 22 September 2011

111 Unpublished letter from the Secretary of State to the Committee Chair, dated 22 September 2011

112 HC Deb, 19 December 2011, col 969W

113 Ev 46

114 Q 92

115 Ev 46

116 See http://ec.europa.eu/civil_service/docs/europa_sp2_bs_nat_x_grade_en.pdf (relates to permanent staff and temporary agents); also HL Deb, col 29WA

Fraser acknowledged the disparity and suggested that the language requirements for Commission staff were “particularly difficult for British people, who do not normally speak two other European languages fluently in the way that citizens of other countries often do”.¹¹⁷ The Government also attributes the unduly low figure to the retirement in recent years of a large tranche of staff taken on in 1973, on British accession to the EEC.¹¹⁸ We expect to look more closely at this issue in discussion on British influence in the EU as part of our forthcoming Report on the UK Government’s policy on the future of the European Union.

61. We accept that the Department needs to promote people who have proven managerial and leadership skills. We do not accept, however, that a framework for promotion should entirely neglect an essential skill in many FCO postings at different grades: facility in a foreign language. For some posts, a lack of fluency in the local language will limit the credibility of the postholder. The risk in relying upon promotion by general competency, which excludes technical competencies such as language skills, is that it may not provide the upper echelons of the Diplomatic Service with an adequate supply of staff who have all of the skills and credibility needed to command respect in key diplomatic postings. We endorse the Foreign Secretary’s vision in this field; but we believe that the FCO should make changes to the criteria for promotion in order to achieve it.

117 Q 80

118 HC Deb, 30 October 2012, col. 176W

6 Security at overseas posts

62. In November 2010, James Bevan, then Director-General of Change and Delivery at the FCO, assured the Committee that reductions in capital spending over the Spending Review period would not compromise the security of buildings and staff. He said that the FCO's top priority would always be the safety and security of staff and that "If we were to conclude that we could not adequately protect the safety and security of staff, we would recommend that we withdrew those people."¹¹⁹

63. Since then, the level of personal risk for staff and the number of incidents have, according to the FCO, been very high, even at unprecedented levels. For instance:

- The Embassy in Tehran was stormed by a mob on 29 November 2011. The Ambassador's residence and the homes of staff in the city-centre compound were vandalised and looted, and the main Embassy office building was set on fire. A second Embassy compound in north Tehran was also attacked, and staff homes were looted. No staff were injured;
- The Damascus Embassy was evacuated in February 2012, on the basis that the security situation had deteriorated to such an extent that Embassy staff and premises were at risk;¹²⁰
- The Embassy in Bamako, Mali, was evacuated in April 2012, although it subsequently re-opened;
- The number of terrorist attacks against staff and missions in the period from February to April 2012 was more than double that over the equivalent period in 2011. Afghanistan accounted for much of the increase;¹²¹
- The Embassy in Buenos Aires was subject to violent protests and civil unrest in April 2012, at the anniversary of the Falklands conflict;
- A convoy carrying the British Ambassador to Libya was attacked in Benghazi in June 2012. The Ambassador was unhurt, but two close protection staff were injured;
- The US Ambassador to Libya and three other Americans were killed in an attack on the American Consulate in Benghazi on 11 September 2012; and
- Violent protests took place across the Islamic world in September 2012, in response to an anti-Islam video. The outer wall of the German Embassy in Khartoum was stormed and buildings in the compound were set on fire, at which point German diplomats fled to the British Embassy, which became the next target. The US Embassy compound in Tunis was entered by protesters and cars were set on fire.

¹¹⁹ Evidence given on 24 November 2010, *FCO Performance and Finances*, Third Report from the Committee, Session 2010–12, Q 184

¹²⁰ HC Deb 1 March 2012, col 142WS

¹²¹ FCO Management Issues February to April 2012, <http://www.publications.parliament.uk/pa/cm201213/cmselect/cmfaff/writetv/fcomanage/contents.htm>

64. We discussed in very general terms with Mr Fraser how the FCO might respond to the greater threat to premises and staff from civil unrest. He paid tribute to all staff—both UK-based and locally engaged—for their efforts in the face of considerable risk. He set out the FCO’s policy of taking a risk-management approach rather than a fortress approach to security, “because we want our diplomats to be out and about and active”.¹²² Mr Rycroft told us that

The concept that we secure our staff by is not so much having a secure space in the mission; it is more that, if there is a risk of civil unrest leading to the mission or the residence being overrun, then they should not be there ... we would gradually or if necessary dramatically draw down the numbers of staff present in a city and, if necessary, evacuate before the embassy was overrun.¹²³

We endorse the approach taken by the FCO in treating the safety of staff as paramount and removing them from a mission or residence if there appears to be a serious risk from civil unrest.

65. We asked whether the FCO would be prepared to approach the Treasury for money from the Contingencies Fund if a new and widespread security threat were to emerge, and the cost of any preventative measures could not be met from existing funds. Mr Fraser confirmed that he would certainly be prepared to do so.¹²⁴ **We strongly welcome the indication by the Permanent Under-Secretary that the FCO would be willing to seek extra funding from the Treasury if there were to be a new threat to security which emerged rapidly, was systemic, and needed to be addressed across the overseas estate without delay.**

122 Q 103

123 Q 103

124 Q 105

7 BBC World Service

Overall direction

66. From April 2014 onwards, the BBC World Service will cease to receive Grant in Aid from the Foreign and Commonwealth Office and will instead be funded from the BBC Licence Fee. The Framework Agreement between the BBC and the Secretary of State for Culture, Media and Sport, which dates from 2006 and which sets out amongst other things the BBC's obligations in relation to World Service provision,¹²⁵ was updated in September 2011 to reflect changes to take place from April 2014. The revised Framework Agreement specifies that:

- The BBC Trust will be responsible for defining the position of the World Service within the overall strategic direction of the BBC;
- The BBC Trust will approve the World Service budget;
- The Executive Board of the World Service will be accountable to the BBC Trust;
- The BBC Trust will agree with the Foreign Secretary the objectives, priorities and targets for the World Service, and the languages in which the World Service is to be provided; and the BBC Trust must issue an Operating Licence recording this information and specifying the budget for the Service;
- The BBC will have full editorial and managerial independence and will decide the most effective and efficient way of delivering the World Service; and
- Subject to the BBC Charter and the Framework Agreement, the BBC may use the World Service brand to generate additional income.¹²⁶

67. The BBC Trust has yet to issue the Operating Licence which, besides setting out the objectives, priorities and targets for the World Service, will define its characteristics and specify its budget. We asked Mr Peter Horrocks, Director of BBC Global News, when he expected the Operating Licence to be issued. In oral evidence in December 2012, he told us that the BBC Trust intended to carry out a public consultation on the Licence “either in the late summer or the autumn” of 2013.¹²⁷ More recently, however, he has suggested that it might take place “in the summer”. Either way, the timeframe for the consultation would suggest that the Licence might not be agreed and published before mid-autumn or even Christmas 2013.

68. We find it unacceptable that the BBC World Service will not know for certain either the priorities, targets or characteristics which have been set for it, or its budget from April 2014 onwards, until only a few months before the new arrangements for oversight and funding come into effect. We do not see how the BBC World Service can plan properly how to reflect its new priorities, pursue its new objectives or shape its

¹²⁵ Cm 6872

¹²⁶ Cm 8170

¹²⁷ Q 144

output according to the Operating Licence given the short lead-in time. We were not surprised to hear Mr Horrocks say that he was “looking forward to seeing” the Licence and that he was “looking forward to clarification” of the matters which we had raised.¹²⁸ ***We recommend that a draft Operating Licence should be shared with the BBC World Service without delay and that the forthcoming consultation on the BBC World Service’s Operating Licence should take place as early as possible—ideally before the summer—and should be on the basis of a published draft.***

69. We note Mr Horrocks’s optimism about future levels of funding for the BBC World Service. When we asked what assurances he had received in this respect, he referred us to a quote from Lord Patten that the BBC Trust was “seized of the importance of discharging” its task, namely the BBC’s global purpose of “bringing the United Kingdom to the world and the world to the United Kingdom”, something which the Trust was approaching with “wholehearted commitment”. Mr Horrocks also said that the overall commitment to the importance of the World Service, and to sustaining the funding of the World Service at the same level or above that which will be in place when Foreign Office funding comes to an end, “is clear and clearly on the record from the BBC Trust”.¹²⁹

70. We question whether commitments to sustain the funding of the World Service at current levels beyond April 2014, or even to increase it, are quite so clear-cut as Mr Horrocks suggested. We do not accept that Lord Patten’s statement cited above amounts to any form of assurance on funding; and while Lord Patten told us in November 2011 that “the budget in 2014 will be one we seek to maintain”, that seemed to us to be no more than a strong aspiration.¹³⁰ We note, however, that the BBC World Service has agreed with the BBC Executive and the BBC Trust planning assumptions extending into the licence fee-funded period, and Mr Horrocks told us that “we do have visibility beyond April 2014 in terms of the funding”.¹³¹ ***We believe that the time for hints and aspirational statements is now past: it is in the interests of the public and of the World Service itself for the BBC Trust to announce as soon as possible what the funding for the BBC World Service will be from April 2014 onwards.***

Delivery of services

71. The BBC World Service succeeded in increasing its overall weekly audience worldwide from 166 million in 2010-11 to 180 million in 2011-12.¹³² Services broadcast via AM radio (short wave and medium wave) fell, but less precipitately than in the two previous years, while audience figures for radio services broadcast via FM partners¹³³ and for TV and online services all climbed steadily. The audience trends for each form of broadcasting are illustrated in the diagram below:

¹²⁸ Q 142

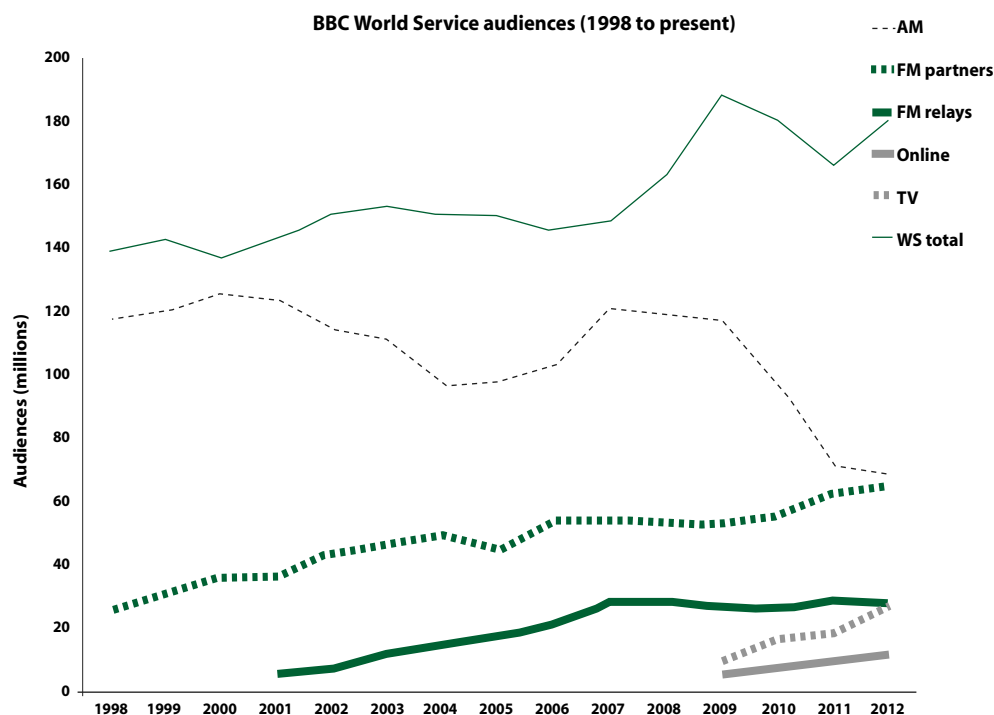
¹²⁹ Q 142

¹³⁰ *Departmental Annual Report 2010-11*, Eleventh Report of Session 2010-12, HC 1618, Q 111

¹³¹ Mr Horrocks Q 143

¹³² Ev 50

¹³³ An FM partner is a local radio station which has an arrangement with the BBC World Service to rebroadcast some World Service output.



Source: BBC World Service.

Short wave radio services

72. Radio services are bearing the brunt of the savings programme flowing from the 2010 Spending Review: the cutbacks announced by Mr Horrocks in January 2011 included an end to radio distribution in seven languages, including Russian and Mandarin, and a phased withdrawal from most short wave and medium wave radio distribution.¹³⁴ A further round of savings announced in October 2012 entailed, amongst other things:

- A reduction in the English short wave service, from anything between 7 and 19 hours a day depending on the region, to six hours per day;
- An end to the Arabic short wave service in the Middle East (but not Sudan);
- Reductions in Arabic and English medium wave services in the Middle East; and
- Closure of the short wave transmitting station in Cyprus, leading to the loss of 26 posts¹³⁵

The BBC World Service's justification for the targeting of short wave services was the decline in short wave audiences and "rapid" growth in audiences on TV and digital media.¹³⁶ It estimated that the package of measures being announced would result in an overall loss of 1% of the total Global News audience across all platforms.¹³⁷ It did not offer

¹³⁴ See *The Implications of Cuts to the BBC World Service*, Sixth Report from the Committee, HC 849, Session 2010-12, paragraph 18

¹³⁵ Ev 39

¹³⁶ Ev 38

¹³⁷ Ev 39. The Global News audience encompasses the BBC World Service and the commercially-funded BBC World News and bbc.com services

an estimate of the likely decline in BBC World Service audience, which attracts about 75% of the Global News audience.

73. Short wave radio, although in steep decline, still has a place: broadcasts on AM frequencies (comprising both short wave and medium wave) remain the medium which attracts the greatest audience for BBC World Service output, as the diagram above shows, although Mr Horrocks forecast that next year the short wave audience would cease to be the single largest element of the World Service audience.¹³⁸ He told us that in those areas of the world where people still listened to BBC World Service short wave radio broadcasts in English (largely in Africa and Asia), although 24-hour short wave services were a thing of the past, peak hour broadcasts remained.¹³⁹ Despite the significant reductions in English and Arabic short wave broadcasts, the BBC World Service has specifically recognised the value of continuing short wave Arabic services in Sudan, where it notes “a strong need for humanitarian information” and limited access to other media.¹⁴⁰

74. We questioned Mr Horrocks on whether the BBC World Service, by investing heavily in television and future media (“Future media, transmission and distribution” was the only sector in which World Service operating expenditure rose from 2010-11 to 2011-12),¹⁴¹ risked neglecting substantial audiences who relied upon short wave and medium wave radio broadcasts for access to BBC output. He told us that people in areas where there were no BBC World Service radio services would normally use the BBC World News television service, although he accepted that not everyone would have a satellite dish or would have access to the internet. He was adamant that most of the places in which short wave services had ceased were areas where audiences had declined to “negligible levels”, although he agreed that there was a balance to be struck between aiming for younger elements of the population with access to technology and others who did not. He also accepted that financial pressures had occasionally forced the World Service’s hand, pushing it to make changes sooner than might have been ideal: that had “certainly happened” in India.¹⁴²

75. We recognise the difficulty for the BBC World Service in stretching diminished resources to allow it to provide a range of services which will be attractive to all sectors of the population in emerging countries. There is logic in withdrawing short-wave services where the audiences which they attract have dwindled and where other forms of broadcast can be widely received. However, **we believe that the World Service must continue to take into account significant audiences in certain parts of the world, such as rural India and Africa, who currently rely on short-wave radio.** We note from figures supplied to the Committee in confidence that cost per user figures for World Service language broadcasts on radio are highly cost-effective in comparison to those for TV or online broadcast. While TV and online audiences are indeed likely to increase in time, bringing down the cost per user, there remain areas where underdeveloped media markets and a lack of effective competition and infrastructure are likely to offer poor value for online services.

138 Q 127

139 Q 121

140 Ev 39

141 See BBC World Service Annual Reviews for 2010-11 and 2011-12

142 Q 122 and 127

BBC World Service output on partner networks

76. Some 60 million people already hear BBC World Service programming broadcast via partner radio stations rather than relays of exclusively World Service content.¹⁴³ We note for instance that three-quarters of the audience for BBC programming on FM radio in Sri Lanka is listening via the SLBC partner station.¹⁴⁴ The World Service is now exploring the potential for television programming to be similarly hosted on partner networks,¹⁴⁵ and its written memorandum listed examples. These include a 30-minute magazine-style TV show launched by BBC Hindi and broadcast on partner stations in India; and a 10-minute BBC Russian news bulletin broadcast on a Russian television channel broadcast over the internet.¹⁴⁶ These bulletins are streamed direct from London via the internet and need no significant investment in transmission infrastructure.¹⁴⁷ The World Service told us that the programmes offered “cost-effective ways of reaching new audiences”, with an estimated cost per user of between 40 pence and 70 pence, compared to a typical World Service benchmark of £1 per user. Mr Horrocks also suggested that working with local partners could help to improve the quality of local media and could make politics more accountable locally as a result.¹⁴⁸

77. We acknowledge the commercial sense in broadcasting BBC World Service content on networks of local partner stations where the reach of those networks is greater than that of the World Service’s own platforms locally; and it makes economic sense to seek out ways of broadcasting at lower cost. However, **the BBC World Service should take care that the practice of embedding its programming in the output of local partner stations does not lead to a dilution of the World Service brand and the standards which are associated with it. It should also be constantly alert to the risk of associating with a partner which subsequently turns out to be subject to political control or undue personal influence.**

Video reportage

78. The “Small Camera” project aims to increase the World Service’s ability to gather video in the field and publish it to website or TV outlets across the BBC. As part of the project, over 200 BBC World Service reporters and producers in London and around the world have been trained in how to capture quality video content for publication.¹⁴⁹ Mr Horrocks was under no illusion that this was a substitute for the work of professional news cameramen, but he did stress that footage filmed by reporters could be striking and could be of benefit to audiences.¹⁵⁰ He accepted that, while a radio journalist could travel around quite quietly and discreetly, “as soon as you have a camera, no matter how small, you

143 Ev 51

144 BBC World Service Annual Review page 51

145 See Q 126, evidence given on 22 November 2011, published with the Eleventh Report from the Committee, *Departmental Annual Report 2010-11*, HC 1618, Session 2010-12

146 Ev 51-2

147 E-mail to Committee members from Peter Horrocks, 4 July 2012 [Not published]

148 Q 137

149 BBC World Service Annual Review, page 44-5

150 Q 138

become a target”.¹⁵¹ **We seek reassurance from the BBC World Service that it has in place measures to mitigate risks to BBC World Service reporters gathering video footage in the field.**

Freedom of expression

79. The FCO’s 2011 Human Rights and Democracy report notes that studies by both Freedom House¹⁵² and the Economist Intelligence Unit find evidence of a noticeable decline in media freedoms worldwide, both in print media and on the internet, where blocking and censoring has become more frequent.¹⁵³ The BBC World Service has not been immune. It told us of “deliberate jamming of BBC services” in Europe and the Middle East in October 2012,¹⁵⁴ probably instigated from within Syria or Iran.¹⁵⁵ Short wave radio broadcasts of World Service radio programming in English in China have recently been jammed;¹⁵⁶ and the World Service no longer broadcasts to China in Mandarin on short wave because the service was being jammed so effectively.¹⁵⁷ BBC Persian services have been blocked intermittently since 2006 and routinely since 2009; and online BBC Chinese services have been blocked since their launch in 1999.¹⁵⁸

80. There are technical means to overcome jamming. Mr Horrocks told us that companies providing the satellite services were working to make their satellites ‘jamming-proof’ in order to protect their revenues;¹⁵⁹ and the BBC has run pilot services with Psiphon, a Canadian corporation that develops advanced censorship circumvention systems and technologies, to provide online services in China, Iran, Kyrgyzstan and Uzbekistan.¹⁶⁰ However, Mr Horrocks believed that it would be five or ten years’ time before technical solutions could safeguard services, and in the meantime he favoured international pressure on countries which hosted or instigated jamming or blocking of services. We were pleased, therefore, to hear him describe the Foreign Office’s approach in this respect as “helpful” and “supportive”.¹⁶¹ ***We urge the Foreign and Commonwealth Office to maintain pressure at the highest levels on those countries which deny media freedom and which block access to BBC World Service programmes and online content. Any relaxation of such pressure would be noted by the host country and would be interpreted as a softening of the UK’s approach.***

151 Q 139

152 A US-based NGO “dedicated to the expansion of freedom around the world”.

153 *FCO Human Rights and Democracy Report 2011*, Cm 8339, page 34

154 Ev 52

155 <http://www.bbc.co.uk/news/technology-20344823>

156 <http://www.bbc.co.uk/news/world-asia-china-21575913>

157 Q 166

158 <http://www.bbc.co.uk/mediacentre/latestnews/2012/201112wsjammingconference.html>

159 Q 160

160 <http://www.bbc.co.uk/mediacentre/latestnews/2012/201112wsjammingconference.html>

161 QQ 159 and 165

Governance

81. In our Report published in April 2011 on the implications of cuts to the BBC World Service, we recommended that the Director of the World Service should have a place *ex officio* on the new Executive Board of the BBC, and that the International Trustee of the BBC Board of Governors should be given the specific responsibility of representing the interests of the World Service.¹⁶² The BBC, following a review of governance arrangements, accepted the case for an International Trustee with a specific responsibility for oversight of the BBC World Service; but it resisted the argument for the BBC World Service to be represented on the new Executive Board by its Director, stating merely that “the World Service will continue to be represented on the BBC’s Executive Board by the BBC’s Director of News, who has formal responsibility within the BBC for all news output, both domestic and international, including the World Service”.¹⁶³

82. We note that the current responsibilities of the BBC’s Director of News include:

- Editorial and managerial responsibility for UK-wide and global news and current affairs on radio, television and online
- Oversight of output in the 12 English regions and 40 local radio stations
- The Global News division, which includes the World Service and BBC World News.¹⁶⁴

When we asked Mr Horrocks whether he could give us examples of occasions on which the Director of News had fought for the interests of the World Service at the BBC’s Executive Board, he replied that “because the World Service still has separate funding, that has not been required in quite the way that you described it”, although he added that “it will be important in future that that international interest is properly represented, and there are appropriate mechanisms for that”. He did not believe that such interests needed to be represented through the Executive Board itself, which he described as “a deliberately streamlined group of people ... who can take decisions to run the BBC”.¹⁶⁵

83. We do not accept that the distinct interests of the BBC World Service will be fully represented at the BBC’s Executive Board by the Director of News. There will be occasions on which the interests of the World Service will be in direct conflict with those of other parts of the BBC, often from within other parts of the Director of News’s empire. Mr Horrocks indicated to us that future mechanisms for ensuring that the BBC World Service received support from the rest of the BBC would be discussed over the next year or so.¹⁶⁶ ***We recommend that the BBC should allow for some form of direct representation from the BBC World Service at the BBC Executive Board, at least when key strategic and financial decisions are to be taken.***

162 *The Implications of Cuts to the BBC World Service*, Sixth Report from the Committee, Session 2010–12, HC 849, paragraph 83

163 *The Implications of Cuts to the BBC World Service: Responses from the Government and the BBC to the Committee’s Sixth Report of Session 2010–12*, Second Special Report of Session 2010–12, HC 1058, page 15

164 http://www.bbc.co.uk/aboutthebbc/insidethebbc/managementstructure/biographies/boarden_helen.html

165 Q 158

166 Q 158

8 The British Council

The 2010 Spending Review and the British Council

84. The British Council, the UK's principal public body for cultural and educational relations with the rest of the world, is one of the largest organisations of its kind worldwide. The Council is a charity established by Royal Charter, and is overseen by a Board of Trustees, but has a reporting relationship with the Foreign Office¹⁶⁷ and receives substantial funding from it. The Council's work includes helping deliver the UK Government's foreign policy objectives (provided this is consistent with its charitable purposes and Charter aims). By any criteria, the British Council is a major instrument of UK public diplomacy and "soft power".

85. The UK is recognised as one of the leading global exponents of soft power.¹⁶⁸ As we have reported in the recent past,¹⁶⁹ there is increasing global recognition of the importance of cultural relations as a means of enhancing a country's reputation and status, of generating goodwill from other nations and peoples, and therefore, indirectly, of advancing the national interest. With this increased recognition also comes increased competition: in its own evidence, the Council acknowledged the significant investment that China and Turkey, amongst others, have been making in their public diplomacy.¹⁷⁰

86. The Diamond Jubilee and, in particular, the London Olympics and Paralympics ensured that 2012 was a very good year for the UK—Martin Davidson, Chief Executive of the British Council, described it to us as "exceptional"¹⁷¹—but precedent indicates that this "2012 effect" may not last long. Mr Davidson went on in his evidence to caution that the boost that 2012 had provided to the UK's image abroad would "fade extraordinarily quickly"¹⁷² if there were a lack of future investment in the promotion of the UK's image and significance abroad.

87. These comments were made in the context of an increasingly challenging economic climate for the British Council, whose turnover comprises a mixture of direct grant from the FCO and commercial income from English teaching and contracts. In 2010, the grant was £180 million, comprising 30% of income. Since then, it has been shrinking. By 2015, when the Review period ends, grant income will have reduced to some £150 million, a cut of some 26% in inflation-adjusted terms.

167 The Council's annual corporate plan must be approved at FCO Ministerial level; the Council must advise the FCO if it intends to open or close offices overseas; and the Permanent Under-Secretary of the FCO is *ex officio* a trustee of the Council.

168 For instance, since 2010, three successive surveys carried out by the Institute for Government, in collaboration with *Monocle* magazine, using a mixture of objective and subjective criteria, have ranked the UK in the top echelons of global soft power. In the most recent survey, in November 2012, the UK came top. The British Council cited in its written evidence survey data showing that respondents in 10 strategically important countries rated the UK very favourably for levels of trust compared to other countries.

169 In our report, *FCO Public Diplomacy: The Olympic and Paralympic Games 2012*, Second Report of Session 2010–12, HC 581

170 Ev 46

171 Q 169

172 Q 177

88. Not only is the FCO grant being reduced: it is also being increasingly ring-fenced, for spending in the developing world. By the end of the Spending Review period, around two thirds will be ring-fenced. According to the Council, this will have the effect of requiring their offices in the developed world—in places such as France, Germany, Japan or South Korea—to become increasingly self-financing.¹⁷³

The British Council's response to the Spending Review

89. The Council has responded to this financial challenge in two main ways. First, it has made cuts: it has cut staff in the UK (partly through compulsory redundancies) and shrunk its UK office footprint, transferring most back office work to India; it has ended some loss-making programmes; and it has closed a small number of overseas offices (many of them small offices in the developed world—those places hardest hit by the combined effect of the drop in grant and its increased ring-fencing for development aid).¹⁷⁴ The first phase of this programme of savings has been the focus of much of our scrutiny over the past two years.

90. Secondly, the Council has significantly expanded its commercial operations. Its overall aim is, despite the cut in grant, to *expand* its turnover and activity over the Spending Review period, through becoming a more commercial and entrepreneurial organisation.¹⁷⁵ Its target is to achieve turnover of £969 million by 2014-15 (as opposed to £707 million in 2009-10), of which just 16% will be FCO grant income.¹⁷⁶

91. Over the past three years, the main theme of the British Council's evidence to the Committee has been that the Spending Review has been extremely challenging, and has required some difficult choices, but that the Council is coping. It has not significantly drawn in its international activities, nor has it compromised its charitable purposes or its reputation, in its efforts to become more commercial.¹⁷⁷

The British Council after 2015

92. However, this year, we detected a new note of concern in the Council's evidence, relating to the period after 2015, when the Spending Review ends and the Council will face a new funding settlement. Martin Davidson told us that current indications were that funding from the FCO would, for at least for the first year after the end of the Review period, follow the same downward trend. This would mean another £8 million being cut from the grant that year, with the possibility of more cuts to follow.¹⁷⁸ Mr Davidson warned of the danger of under-estimating the importance of soft power and the Council's role in relation to it. Referring to the "vitally important"¹⁷⁹ connection between the Council and

173 *Departmental Annual Report 2010-11*, Eleventh Report of Session 2010-12, HC 1618, Q 175 & Q 180

174 British Council, Annual Report 2011-12, page 68

175 British Council *Corporate Plan 2011-15* and *Annual Report 2011-12*, page 8

176 According to the Council's 2011-12 Annual Report, 25% of its £739m turnover for the year came from grant, 59% from fees and income, and 15% from contracts.

177 *Departmental Annual Report 2010-11*, Eleventh Report of Session 2010-12, HC 1618, Q 169 & Q 194

178 Q 170

179 Q 170

the UK's foreign policy agenda, he said there was a risk of it being broken if significant cuts continued after 2015:

We must maintain that connection; otherwise we are simply another commercial organisation and not delivering the soft power of this country. That would be a tragedy not just for us as an organisation but for the UK.¹⁸⁰

93. Mr Davidson also appeared to see it as inevitable that cuts of this nature would lead to further office closures overseas:

There is no question – particularly if what we fear is likely to come from a further reduction into 2015-16 – but that our ability to maintain the scale of operation we have, for example in western Europe, is going to come under real challenge. While I think we have some very fine small offices, there comes a point when the cost of being there is simply excessive compared with what you are actually able to achieve.¹⁸¹

94. Grant losses would of course be mitigated if targets for commercial income were met or exceeded. Council witnesses acknowledged, however, that the commercial targets they had set themselves for 2015 were tough and that there was a risk of their not being fully achieved. Some interim targets (for instance, increasing turnover by 9% during the reporting year) had not been met, which the Council had blamed in part on instability in the Middle East and North Africa. The relative weakness of the euro during the reporting period had also been problematic.¹⁸²

The British Council's profile and "brand"

95. In our reports of the last two years, we took the view that the Spending Review "may well trigger some fundamental rethinking of the role and work of the Council"¹⁸³ and lead to it "becoming a substantially different organisation".¹⁸⁴

96. If the Review has led the Council to become a more business-savvy body and a more diligent custodian and investor of public money, this is, of course, a good thing. However, we have been concerned that the Council's changed financial situation, and its focus on generating more commercial income, might lead it into making decisions inconsistent with its long-term interests, or with those of the UK. For instance, it might feel compelled to abandon schemes and programmes that produced no direct financial return but generated more intangible benefits—not least a very positive image of the UK. It might employ fewer staff overseas who have a strong connection with the UK. Or it might focus too much on income-generation, for instance by charging for previously complimentary events or services, and in so doing putting at risk the goodwill of the foreign investors or opinion-formers that it was seeking to reach. We summed this up last year in the view that the

180 Q 177

181 Q 190

182 Q 172; The British Council, Annual Report 2011-12, page 11

183 *FCO Performance and Finances*, Third Report of Session 2010-11, HC 572, paragraph 85

184 *Departmental Annual Report 2010-11*, Eleventh Report of Session 2010-12, HC 1618, paragraph 62

Council should not end up as “predominantly an English language school rather than a promoter of the UK’s reputation, culture and influence.”¹⁸⁵

97. We explored this issue further with the British Council this year. Council witnesses clarified that it does, from time to time, take advice as to whether particular activity is consistent with its charitable status and core aims, including from the Charity Commission.¹⁸⁶ In relation to English teaching, the Council makes no secret of the Council’s desire to markedly increase income, and to pursue new markets in areas where it is currently weak, for instance, in Latin America.¹⁸⁷ Tied in with this is an increased emphasis on pursuing major contracts for teacher training and on becoming more of a presence in online language education.¹⁸⁸

98. Council witnesses argued that there was no inconsistency between any of this activity and its charitable and Charter purposes.¹⁸⁹ Professor Pamela Gillies, a member of the Council’s Board of Trustees, stressed that, even if account were taken only of the Council’s English teaching work, that in itself helps advance the Council’s cultural agenda as the curriculum it uses “is absolutely steeped in British culture”.¹⁹⁰ Martin Davidson referred to an “income dividend”¹⁹¹ from more commercial activity that could be recycled as spending on arts, culture, and broader education. This, he argued, was particularly needed in the developed world (he singled out France), where it had now become a “challenge”¹⁹² for the Council to remain a body focussed on the advancement of British culture, rather than simply a money-making organisation.

99. Other risks may arise when a cultural and charitable organisation such as the Council starts to orient itself as a more commercial body. One is that it engages in work that compromises, or is seen as compromising, its independence and integrity. This criticism has been made of the Council in relation to the 2012 London Book Fair. The Council has an established role promoting each year’s “market focus” for the fair, which last year was China. Some critics allege that the Council had let the Chinese Government have too much influence on the programme, including allowing it to dictate which writers should and should not be invited.¹⁹³ We put these criticisms to Mr Davidson, who responded¹⁹⁴ that getting the right balance in dialogue with China was “an extraordinarily sensitive area”. He acknowledged that the Council had refrained from inviting some dissident writers but said it was “critical ... that we do not look at a single event like the London Book Fair, but at a broader sweep.” Mr Davidson added that, in other contexts, the Council had played its role

185 *Departmental Annual Report*, Eleventh Report of Session 2010–12, HC 1618, paragraph 63

186 Q 179

187 Q 202; British Council Annual Report 2011–12, page 60

188 Q 186; British Council Annual Report, pages 16 and 17

189 The Council’s Charter aims include promoting “a wider knowledge of the English language” and “the advancement of education”. These are subject to the over-arching condition that the Council shall advance “any purpose which is exclusively charitable”.

190 Q182

191 Q180

192 Q180

193 For instance, in an article in *The Guardian*, 13 April 2012

194 Q 199

in exposing people in China to diverse and dissenting views that might otherwise have remained unheard.

100. Another risk is that the organisation might increasingly seek to “monetise” its good name and its relatively privileged access to power, to the detriment of its competitors. We are aware of some criticism reported in the media¹⁹⁵ that the British Council has increasingly become a commercial rival to private businesses (particularly in English teaching) and does not compete with them on a level playing field. We put these observations to Mr Davidson, who responded¹⁹⁶ that he had heard “a generalised air of concern” but that the specifics of any criticism were often lacking. He clarified that the Council had “a very clear policy” of not using the FCO grant to subsidise its English teaching, which in any case tended to be more expensive than that offered by other providers.

101. Overall, it is to the British Council’s credit that it has responded positively to the considerable challenge posed by the 2010 Spending Review and has, so far, managed to take on a more entrepreneurial character without significant detriment to the quality of its work or its global reach. **We urge the Council, and its trustees, to be continually vigilant in ensuring that it retains its good name and integrity as it becomes more financially dependent on earned income.**

102. In addition, **we urge the FCO to pay heed to the British Council’s concerns about its future funding, after the current Spending Review period ends. The Council’s main role is to promote British culture and education, which is an end in itself. In so doing, however, it both generates trust and deploys influence, from which the UK as a whole benefits. The UK currently performs well in the global contest for soft power, but that contest takes place in an increasingly crowded field, and against increasingly well-resourced competitors. Trading off the advantage the UK currently enjoys in that field—and all the benefits, tangible and intangible, that come with it— in exchange for relatively minor savings on the FCO balance sheet would be the worst sort of false economy. Accordingly, the Committee believes that the FCO should shield the British Council from the effect of any further cuts to the Department’s budget in 2015-16.**

The Council’s role in relation to higher and further education

103. The British Council describes the UK’s further and higher education sector as one of the UK’s “most attractive assets”¹⁹⁷ and describes its own role in promoting the sector overseas as “one of our absolute core areas of work”.¹⁹⁸ The Far East and South Asia (especially India) are recognised as two particularly strong growth areas—regions with the potential to send large numbers of students to these shores, including postgraduates who may have commercially useful skills in research and development.¹⁹⁹

¹⁹⁵ For instance, in an article in *The Guardian*, 8 October 2012

¹⁹⁶ Q 183 & Q 185

¹⁹⁷ British Council Annual Report 2011-12, page 21

¹⁹⁸ *Departmental Annual Report 2010-11*, Eleventh Report of Session 2010-12, HC 1618, Q 188

¹⁹⁹ British Council and Oxford University: *The Shape of Things to Come: Higher Education Global Trends and Emerging Opportunities to 2020* (2012)

Government policy on student visas

104. Since coming into office, the Coalition Government has been seeking to reduce migration into the UK. The Government is constrained about what it can do about migration from within the EU so has focussed on other areas. This has included tackling perceived abuses of the student visa system. In response to concerns²⁰⁰ that the policy is hindering the growth of the UK tertiary education sector, and the recruitment of talented postgraduates to university research departments, the Government has sought to stress that there is no formal cap on overseas students and postgraduates,²⁰¹ and indeed that it would be happy to see the number continue to rise. It has also emphasised that its policy is as much about addressing loose practices by universities and colleges in this country (or bogus organisations posing as colleges) as it is about preventing bogus students coming in to the UK under false pretences.²⁰²

105. Recent official figures, published after our evidence session with the British Council, indicate that the number of overseas university students in the UK has continued to rise, but at a lower rate. Within that, there has been a small decrease in overseas postgraduate students. The number of individuals coming to learn English or attend further education colleges has fallen sharply.²⁰³

The British Council's view

106. Visa policy is not within the remit of the FCO and it is not our role to examine the overall merits of the policy in this report.²⁰⁴ However, the issue did arise in our scrutiny of the British Council's effectiveness as a champion of the British tertiary education system abroad. The Council's evidence was blunt. Professor Gillies said that the policy contributed to a general sense overseas that Britain was an "unfriendly" country, and was:

seriously damaging our ability to work with countries, and not just in higher education – it is poisoning a wide range of activities that we are engaged in. We need to work hard to turn around those negative perceptions.²⁰⁵

107. Mr Davidson said²⁰⁶ that it was "purely" because of the Government's student visa policy that much of the foreign media was running negative stories about Britain's attitude

200 As reported, for instance, in *The Economist* on 20 October 2012.

201 As reported, for instance by *The Telegraph* on 18 February 2013, referring to comments made by the Prime Minister in relation to his visit to India that month.

202 As set out, for instance, in the Home Secretary's 12 December 2012 speech, *An Immigration System that Works in the National Interest*, available on the Home Office website.

203 Higher Education Statistics Agency, Statistical First Release 183 (January 2013); Office for National Statistics, *Quarterly Report*, February 2013.

204 Two House of Commons committees with more direct locus to comment have reported on aspects of the Government's policy. In March 2011, the Home Affairs Committee, whilst welcoming the Government's aim of preventing abuse of the system, concluded that the Government's policy risked damaging the UK's thriving educational export sector. The Committee expressed doubt whether overseas students should be counted as "migrants" for immigration purposes at all. This latter point was the main conclusion of the Business, Information and Skills Select Committee in their September 2012 report, *Overseas Students and Net Migration*, which argued that the way the Government's policy was being implemented was economically damaging to the UK.

205 Q 208

206 Q 208-209

to overseas students. This helped create “a sense that foreign students are not welcome”. He added that:

Many countries believe there is a cap on visas, and many people believe that the systems are designed to make it difficult to come here. Much of my colleagues’ time is taken up trying to convince local authorities, agents and other organisations that that is not the case.²⁰⁷

108. The British Council’s important work promoting tertiary education, and promoting the UK as a place to study in and to carry out research, gives it insight into the impact of the Government’s student visa policy. It is therefore worrying to hear the Council warn that the policy is being interpreted in some parts of the world as a message that the UK does not welcome foreign students. The Government should consider this warning carefully. Whatever the merits of the policy, a revision of how it is being communicated is called for.

Formal Minutes

Tuesday 19 March 2013

Members present:

Richard Ottaway, in the Chair

Mr John Baron
Sir Menzies Campbell
Ann Clwyd
Mike Gapes

Mark Hendrick
Andrew Rosindell
Mr Frank Roy
Sir John Stanley

Draft Report (*FCO performance and finances 2011-12*), proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 25 read and agreed to.

Paragraph 26 read, amended and agreed to.

Paragraphs 27 to 38 read and agreed to.

Paragraph 39 read, amended and agreed to.

Paragraphs 40 to 59 read and agreed to.

Paragraph 60 read, amended and agreed to.

Paragraphs 61 to 66 read and agreed to.

Paragraph 67 read, amended and agreed to.

Paragraphs 68 to 108 read and agreed to.

Summary read and agreed to.

Resolved, That the Report, as amended, be the Fifth Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

Written evidence was ordered to be reported to the House for printing with the Report, together with written evidence reported and ordered to be published on 11 December 2012.

[Adjourned till Tuesday 16 April at 1.45 pm.]

Witnesses

Tuesday 6 November 2012

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Simon Fraser CMG, Permanent Under-Secretary and Head of HM Diplomatic Service, Foreign and Commonwealth Office, **Matthew Rycroft**, Chief Operating Officer, Foreign and Commonwealth Office, and **Iain Walker**, Deputy Director of Finance, Foreign and Commonwealth Office

Ev 1

Tuesday 18 December 2012

Peter Horrocks, Director, BBC Global News, and **Richard Thomas**, Chief Operating Officer, BBC World Service

Ev 19

Professor Pamela Gillies, Member, Board of Trustees, British Council, and **Martin Davidson**, CMG, Chief Executive, British Council

Ev 29

List of printed written evidence

1	BBC World Service	Ev 38: Ev 49: Ev 56
2	PCS (Public and Commercial Services Union)	Ev 39
3	The CITYUK	Ev 41
4	The Foreign and Commonwealth Office	Ev 43: Ev 44: Ev 56: Ev 57
5	British Council	Ev 46

Oral evidence

Taken before the Foreign Affairs Committee on Tuesday 6 November 2012

Members present:

Richard Ottaway (Chair)

Mr Bob Ainsworth
Mr John Baron
Sir Menzies Campbell
Mike Gapes

Andrew Rosindell
Mr Frank Roy
Sir John Stanley

Examination of Witnesses

Witnesses: **Simon Fraser**, Permanent Under-Secretary and Head of HM Diplomatic Service, FCO, **Matthew Rycroft**, Chief Operating Officer, FCO, and **Iain Walker**, Deputy Director of Finance, FCO.

Q1 Chair: May I welcome members of the public to this first evidence session of our inquiry into Foreign and Commonwealth Office performance and finances for the year 2011–12? I am pleased to welcome Mr Simon Fraser, the Permanent Under-Secretary at the FCO, Mr Matthew Rycroft, the chief operating officer, and Mr Iain Walker, the deputy director of finance. Welcome to you all, and thank you very much for coming along.

Mr Fraser, is there anything you want to say by way of opening remarks.

Simon Fraser: Not at length, Chairman, but thank you for inviting us. I think the Foreign Office has had a good year. We have been pushing forward the work on our diplomatic excellence programme that we have discussed in the past, in terms of the improvements we have been trying to make in the way we do our policy, manage our people and run our network around the world. I would be happy in this session to elaborate on any of the areas that the Committee would like to ask about.

Q2 Chair: The Secretary of State has said that he wants the diplomatic service to be the best in the world by 2015. How will we know whether we have achieved that?

Simon Fraser: It is our objective to be the best diplomatic service in the world, and I think that is a legitimate objective for the British Foreign Office. We have set out some clear policy priorities that we are working on in order to advance our foreign policy. We are thinking very carefully about how we can be most effective in the way we manage and deploy our people around the world, and the way we shape our network around the world.

We are thinking about ways of measuring the impact that we have as a Foreign Office. It has always been a tricky question: how do you measure the impact of diplomacy? Internally we are seeking to assess the effect we have against the priorities we have set and the outcomes we are seeking to achieve in the financial year. For example, in this year we have set 18 policy outcomes that we want to achieve. Every month the management board tries to assess what impact we have had against those. In addition, as you know we have set up an external panel, which we call

our diplomatic excellence panel, of which you are a member, where we invite about 60 or 70 people from different walks of life to advise us on our performance, to give us their judgment and compare us with other diplomatic services around the world. In those ways we are trying to find ways to measure that performance so that we can judge the progress we are making towards the objective you described.

Q3 Chair: That is helpful. I understand you also have a group of business leaders you consult. I read an article in the *Financial Times* by James Blitz, who reported that those business leaders thought the French were doing rather well in their service. What have the French got that we haven't got? Apart from more money.

Simon Fraser: In fact, it is not just business leaders. That group which James Blitz referred to was this diplomatic external panel, which does include a number of business leaders. I think that the group felt that the French diplomatic service like Britain's has a very long diplomatic tradition and culture and they are very effective in advancing their national interest through diplomacy. They are effective too in supporting their commercial and economic objectives. For those reasons they were felt to be a very effective diplomatic service. The same group of people judged that we were probably the second most effective. That gives us a challenge.

Q4 Chair: National pride aside and to be objective for a second, is there anything the French are doing differently from us? It may not necessarily be better, but different.

Simon Fraser: Foreign Ministries are organised in different ways. One of the things that has been stated in the past is that the French Government as a whole are more organised in their collective support of French economic interest through diplomacy. That is certainly, as you know, an area that we have been focusing on in the Foreign Office through our commercial diplomacy efforts. I think that we have made significant achievements there. I am pleased to say, if we are to prolong the French theme slightly, that at least two senior French business men who I have spoken to recently said that they feel that the

6 November 2012 Simon Fraser, Matthew Rycroft and Iain Walker

British diplomatic service is performing very strongly in that area as well. I hope that we have learned those lessons, if they are there to be learned.

Q5 Chair: Thereby proving that the grass is always greener on the other side of the fence. How do you measure performance? I gather that there is a system of numerical scores for FCO performance. Is it possible to measure performance on subjective numerical scores?

Simon Fraser: Of course there is always an element of subjectivity, but we have introduced a system for evaluating our performance which the Office for National Statistics has supported and worked with us on. By judging our performance against certain criteria and weighting it, we can give ourselves a numerical score of our overall performance. It is an indicative thing; it is not a precise science. It helps us to get a rough sense both of how well we think we are doing and of how well others think we are doing. For example, in a more detailed way, when we have these monthly discussions about measuring our impact, we look at what we have done in a specific case.

Take the Mindanao peace settlement in the Philippines, which comes under conflict resolution. We believe that we contributed quite a lot through the advice that we gave to the Philippine Government drawn from our Northern Ireland experience. We have tried to measure that as a contribution we have made to a tangible outcome in foreign policy and given ourselves a score for it. In those ways, we are at least able to capture our activity and our judgment of the impact of that activity.

Q6 Chair: The old way of doing that was through the targets and indicators of the old PSA. With hindsight, would they be better? Or is the new system an improvement?

Simon Fraser: I am very happy to ask Matthew Rycroft to comment on this, but my view is that the virtue of what we are doing at the moment is that we have created it ourselves as a response to what we perceive to be our need. It is therefore not something that is being done to the Foreign Office from outside. It is something that helps us to challenge ourselves and to try to be realistic in measuring our own performance. As long as we hold ourselves up for open criticism from outside bodies—including your Committee and others—so that we are being kept honest, I would say that it is the most effective method that I have yet seen for helping us to measure our performance. Can I ask Matthew to comment, because he has been closely involved in this?

Matthew Rycroft: I just want to add one thing, which is that I think that this is all about continuous improvement. If we really want to be the best in the world and the best that we can be, we need to continually improve from an already strong base. We have a series of targets and measures, which are similar to all other Government Departments around the civil service and we have to meet those. On top of that, as the Permanent Under-Secretary has said, we have devised our own system to measure the nine strands that go together to make our diplomatic

excellence campaign. It is more art than science, however. I absolutely accept that.

Q7 Mike Gapes: May I take you back to an earlier answer? The Foreign Affairs Committee in the previous Parliament was very critical of this tick-box PSA approach being applied from the Treasury to the Foreign and Commonwealth Office. We said that the FCO is not like most domestic Departments. Is there still a desire in the Treasury for the accountants to come in, go through everything and set you targets, even though you may have a different structure? Is there still, nevertheless, a desire from the Treasury to get its fingers into micro-managing the Department? Do you still have to resist that?

Simon Fraser: To be honest with you, Mr Gapes, I do not feel that that is particularly a problem now. We work very closely with the Treasury. We certainly have our business plan, which is agreed with the Cabinet Office and No. 10 and from that the specific priorities that we set flow. We have been working with the Treasury on the measurement technique that I have been describing. In fact, the Permanent Secretary to the Treasury is one of the members of the external panel, as is the Cabinet Secretary and others, whom we invite to measure us. I have had quite a good, positive discussion with him, and I think the Treasury feel that this is the Foreign Office being serious about trying to measure its performance. So that is quite a healthy relationship. Of course, the Treasury always looks very carefully at our expenditure and would certainly try to ensure that we are delivering value for money and are being as effective as we can in what we do. I think the relationship at the moment is in good shape.

Q8 Sir Menzies Campbell: If I may take you back briefly to the question of comparison, inevitably the quality of, forgive the word, output must be related to the resources available, the quality of applicants, the capacity to retain good people who are not seduced away by higher salaries elsewhere and the breadth of the commitment that they feel. Correct me if I am wrong, but I have the impression that the French have certain well defined spheres of influence, but they do not, for example, have the kind of spread of interests that membership of the Commonwealth necessarily involves for the United Kingdom. Were those factors required to be taken into account in any comparison? If they were, would it not make any comparison, although not meaningless, certainly not of great value?

Simon Fraser: I certainly do not want to overstate the importance of the comparison. I think the important thing is measuring ourselves and our own lessons.

Sir Menzies Campbell: In that sense, I am sympathetic.

Simon Fraser: I think it is quite a good discipline to ask informed people how good they think we are compared with others. If that gives you an indicative sense of their judgment, that can be useful, but I think the important thing is that there are many other good diplomatic services in the world—the French are one of them, but there are many others—and we can learn from them. There are definitely ways in which we can

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learn from others, as they can learn from us, but, of course, the range of our national interests will differ. Actually, France is, in my view, a broadly comparable diplomatic service with a global diplomacy. There are other countries, such as Singapore, that have an excellent diplomatic service but a narrower focus, and one could name others. So comparison has to be done intelligently.

Sir Menzies Campbell: I think we can settle for that.

Q9 Mr Baron: Permanent Secretary, you have wisely said that it is important to focus on your own performance, but nevertheless you have set yourself quite an ambitious target to become the best diplomatic service in the world, which presumably means overtaking the French, if you accept that you are second place at the moment. The answer to the question of what do they have that we do not might be that they have nearly twice the budget, but moving resources to one side, and resources are important, why do you think the French are so good at promoting their national interest? You had almost a throwaway line saying that the Government are very good at focusing in and coming together on specific economic issues, but is it as simple as that? Or are there more nuanced reasons as to why they seem to be very effective at what they do? Perhaps there is something we need to learn.

Simon Fraser: First of all, it is an ambitious objective, but I think it is better than having an objective of not being the best diplomatic service in the world, so I will stick with it. On the question of resources, it is true that comparisons are made and, indeed, the *Financial Times* article that the Chairman referred to made some comparisons of resources, but one has to be careful, because I think different Ministries are structured differently and incorporate different functions. So, for example, their budget may incorporate the trade promotion function or the development budget. So we have to be careful, as Sir Ming said, about trying to make comparisons. Having said that, in the discussion about the different diplomacy of different countries, a number of commentators made the point about the sense that French diplomacy is very good at a single-minded pursuit of a perception of national interest, which is something that perhaps British diplomacy could be a bit more focused on whilst also pursuing other things such as our values agenda and human rights.

Q10 Mr Baron: May I briefly press you on that, Permanent Secretary? What do we have to get better at doing? What changes do we have to make? Given that you have correctly identified the solution, what is the next step?

Simon Fraser: In a public document, we have identified some things that we need to do to improve our performance in the light of that discussion. The first one is that our policies need to be hard-headed and focused on delivering the national interest. They need to be bold and imaginative and to address the strategic challenges. They need to be action-oriented and clearly defined at achieving results. It is about a policy and diplomacy that is about outcomes and achieving results.

Q11 Mr Baron: Forgive me; we can all agree with those words, but what does it actually mean on the ground? What changes do you envisage having to be made in order to deliver what you correctly read out in front of you?

Simon Fraser: One can talk about individual policies, but it is also about a mindset in the organisation. If you asked the question to the Foreign Secretary, his view would be that the Foreign Office had become insufficiently ambitious and focused on achieving results and making things happen. Let us take the example of Libya. We were of course very active in the Libya campaign, and we also convened in London an international conference at very short notice in order to take that forward. That was a specific piece of diplomacy. We have done similar work on Somalia, where we led international activity. We have identified in the area of cyber the importance of convening international norms. We have identified a number of specific objectives that we have worked on, such as the reform of the European Court of Human Rights. There are a number of specific examples that I could give you about the particular ways in which a British national initiative, led by the Foreign Office, has delivered a result.

Of course, one cannot achieve that on the really big, intractable issues such as Iran or Syria, where you have to have a collective international effort, but we can be active in giving leadership in that effort. What we have been trying to do, however, is to be smarter in identifying particular ways in which British diplomacy can make a difference. The most recent one that I would mention is the Foreign Secretary's initiative on preventing sexual violence in conflict, which he has personally led with the support of the Foreign Office and the rest of the Government and which is actually having quite an international impact.

Q12 Mr Baron: You mentioned Libya, and I look forward to the day when our trade captures the decline that has happened since our intervention there, because it has certainly fallen away since then. I look forward to that trend reversing.

Can I move us on, if I may, to the network shift and the opening and closing of posts? I know that it is an ongoing issue and that it is high on the agenda within the Foreign Office. Correct me if I am wrong, but the network shift is due to be completed in 2014 and it represents something like the reallocation of 8% to 10% of the FCO's diplomatic resources. From what one reads, it makes a lot of sense to add or create posts in areas that are growing fast economically relative to others that are not. Can you briefly describe to us the criteria that a location has to meet before a decision is made to open a new post or indeed to add to numbers in an existing post?

Simon Fraser: The Government have set two objectives for the network shift. The underlying objective is to take our diplomacy more actively into countries that we believe will be more influential, both economically and politically, in the future, and there are two aspects to that. The first is the deepening of our diplomatic presence in some key countries and markets. Most obvious are China and India, but there is also a range of others such as Brazil, Indonesia,

Turkey, Nigeria, etc. The rationale for that is quite clear. We need a diplomatic presence on the ground in order to build the relationships for the future, which will support both our political and our commercial objectives.

The other aspect of this is the Foreign Secretary's clear view that, as well as deepening, we should widen our diplomatic network, and that the presence of British diplomats, even a small number, in countries around the world is valuable. The argument for that is that the world is changing, it is becoming more fluid, decision making is taking place in different forums and groups, and businesses are being more active internationally, so the presence of a British diplomat is very helpful. One could give a number of examples of countries, but an obvious one is Mongolia; in Ulan Bator there has been tremendous commercial interest for the UK, and having an embassy there is important. Similar considerations apply in, for example, Laos—the Foreign Secretary has just been there to open our embassy—which was a very poor country but, in recent times, considerable mineral reserves have been discovered there. With the opening up of Burma and our engagement with ASEAN, we felt that it made sense both politically and commercially to put a small embassy on the ground in order to have a footprint there. So those are the sort of considerations that we take into account.

Q13 Mr Baron: One cannot question the logic of it. May I bring you back to your reference to Laos, because it is quite an interesting situation, to go with Paraguay in that—correct me if I am wrong—those two countries were not mentioned in the Foreign Secretary's network shift statement last year? So can one read into that that they were relatively recent decisions made on the back of recent announcements, perhaps to do with mineral wealth?

Simon Fraser: Can I explain that, Mr Baron, and ask Matthew to fill in as necessary? What happened was that we made the initial announcement of the network shift, and we said that that would be resource-neutral—that we would be saving resources in one part of the network to try and spread it to others. Subsequently, we had been reviewing our financial management and we decided that because the Foreign Office, like a number of other Departments, has a habit of undershooting its budget we would be a bit bolder and withdraw £40 million of resource from existing activity and reallocate it to further activity. That has allowed us to announce a whole range of measures, including the opening of those additional small posts that you mentioned.

Q14 Mr Baron: Why, as a matter of interest, those two posts? Why Paraguay and Madagascar?

Simon Fraser: They were two posts on our list that had not made the first cut but that were then considered worthy of opening. Does Matthew want to add to that?

Matthew Rycroft: There are some others in that secondary category as well that were not part of the network shift but are part of our reprioritisation programme: the new British interests section in the Burmese capital Naypyidaw, the new British office in

Haiti and the new British embassy in Mogadishu, Somalia. We have to keep these things under constant review and, just as we sometimes have to close posts for security reasons, so opportunities sometimes arise to open a post. It is a judgment about what our British interests in that country are and how they can best be pursued through a diplomatic presence, versus the costs in both staffing and money terms of opening a new post, and how we get the best bang for our buck.

Q15 Mr Baron: Presumably there have been cost savings with Basra, for example, no longer needing to be permanently staffed.

Matthew Rycroft: As the Permanent Under-Secretary said, the first network shift—the one announced in May 2011 by the Foreign Secretary—will be resource-neutral, so it will be funded by closures, as you say in Basra but also by some reductions in subordinate posts in Europe and indeed in Afghanistan.

Q16 Mr Baron: May I then move us on to the closures in Europe? Have final decisions been made as to which posts we are looking at? I know that there have already been some closures in Italy and so forth. How many staff are involved, etc.? What can you divulge?

Simon Fraser: May I briefly update on the network shift for you? Just to say, I think we are about halfway through the first network shift and we have now opened or upgraded seven posts and eight more are due in the next year. In terms of the deployment of staff to the other places, we are about halfway through that programme now, so we are on course with the network shift.

On Europe, it is true that we have made a number of decisions—I think we have more or less completed those decisions relating to the subordinate posts. In a number of cases we are, for example, moving to honorary consuls rather than full consulates. That will be the case, for example, in Venice, Florence and Naples. We have done a similar thing in Lyons, where we have closed the office, and we are taking a similar course in Andorra. We are not withdrawing the presence completely; we have either an honorary consul or a trade office. The point to bear in mind is that this is not withdrawing our presence. A lot of this is driven by the fact that our consular services in Europe now are often online or done by telephone. Most of them are done by telephone centres in Malaga and Marseilles. If you make a consular call from around Europe, your call will be answered by one of those centres, and in most cases that is sufficient to deal with the issue. When there are real consular crises, as we have seen in France on a number of occasions this year, we of course deploy people very rapidly to the scene.

Q17 Mr Baron: So having an honorary consul who is a local hotelier in Andorra is not as comical as it sounds, in the sense that it is a point of contact and there is obviously a central back-up close to hand.

Simon Fraser: So that person will be in general terms looking after our interest there and be in contact with our consular staff in the Iberian peninsula. They are geared to move—we have a policy for rapid

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deployment of staff. That way, we can be much more cost-effective, while providing a good level of service. Honorary consuls can provide a very good service. I myself saw a case in Sharm el Sheikh where we have many British visitors being looked after by somebody.

Q18 Mr Baron: Final question: you kindly updated us on where you were with regards to the network shift. Coming back to one of the Chairman's first questions, once it is complete—one accepts that there will be modifications en route—how do you judge whether it has been successful? Is it simply a question of our economic interests—the change of emphasis on showing growth, bringing forward extra business and so forth, and helping to develop our commercial interests? I do not think that is it. Are there other objective measures we can look at as well?

Simon Fraser: The first thing to say is that this is a plan for this spending round and we will try to complete it. As Matthew has said, we need to keep this under review constantly, because the world changes and the ways that we operate overseas change. A lot of this is driven by technology and, as I just described, different ways of doing things. The second thing to say is that, as Lord Green, the Trade Minister, always says, this is a marathon, not a sprint. The network shift to what we might call the emerging powers or growing economies is a long-term investment for us. I see that as a 20-year investment and we will need to find ways to measure the impact. I think that it is primarily about trade and investment. We therefore can measure that in terms of our trade figures, but one has to work out how much of that is attributable directly or indirectly to the presence or activity of a diplomatic mission. It is not only about trade and investment, but also about developing the people-to-people links and building the political relationships that we will need with those countries as the structures and organisations of international diplomacy change as power shifts in the world—assuming that the shift of economic power will be accompanied by a shift of political power over time.

Q19 Mike Gapes: Can I take you to the letter that you wrote to our Chairman on 31 May about the closure of the regional passport processing centres, starting with Dusseldorf and going on to Madrid, Paris, Washington, Pretoria, Hong Kong, Wellington and Dublin over the next two years? How is that going? You said that it was “a challenging process”. What will happen to the permanent FCO staff and the many locally engaged people I presume we have? Can you give us any ideas about numbers—whether there will be redundancies, early retirements, compensation, transfer to other posts? It will obviously be rather difficult to transfer locally engaged people, won't it?

Simon Fraser: Thank you for raising that. It is one of the issues we have been working on for some time now, because we have an agreement with the Home Office and the IPS to transfer the responsibility for issuing passports from the Foreign Office to the IPS. That is what is taking place. The result of that will be that passport processing will be brought back to the UK from March 2014. So we are streamlining the process of issuing passports, which used to be done in

various places around the world but now can be done more efficiently from the UK.

The consequence of that is that we will indeed be closing those offices that we have had around the world. I think there are eight posts involved in total, starting with Dusseldorf and followed by Madrid and Paris. That is something that the staff involved are aware of; an agreement was signed some time ago. In fact, we have prolonged the transition process by a bit to ensure that we do it effectively.

It is correct that 166 locally employed staff are affected by this, and their jobs will go. They have known that for some time. We are engaged in helping them to think about onward employment. In a number of cases already, people have been found other employment. Some have been employed in other parts of our missions, and we are certainly open to looking at that. There will also be redundancy payments and support to those staff, which will be made.

Q20 Mike Gapes: Do you have any figures on how many people will be made redundant?

Simon Fraser: 166 is the number of staff whose jobs will be—

Q21 Mike Gapes: But you said some will be transferred.

Simon Fraser: So I don't know the answer, because we are at the beginning of the process.

Q22 Mike Gapes: Can you write to us with some more detailed information, because it is important that we have some sense—?

Simon Fraser: We calculated that the cost of the redundancy payments will be about £2 million.

Q23 Mike Gapes: How can you calculate the cost when you don't know the numbers of people?

Simon Fraser: I might ask Matthew. I am not sure whether we pay them redundancy anyway even if we re-employ them, but there will be different circumstances in different countries, because they are employed under local employment law in those different countries.

Matthew Rycroft: The cost that the Permanent Under-Secretary just said, which adds up to just over £2 million, is based on the assumption that all those members of staff lose their jobs, but we already know that six so far have found alternative employment within the missions and we would hope that more would do so as those jobs are phased out between now and April 2014.

Simon Fraser: So that is a ceiling figure.

Q24 Mike Gapes: These are the locally engaged staff?

Matthew Rycroft: All of those jobs are locally engaged jobs.

Q25 Mike Gapes: What about other people who are not locally engaged and who are working in these centres? Are there any?

Simon Fraser: Certainly the vast majority, if not all, of the people who work in these places are locally engaged.

Q26 Mike Gapes: And the timetable? You said that you had to modify it. I am not clear what you meant by that.

Simon Fraser: We signed a supplementary agreement with the IPS that we would prolong the process of transfer by one year to ensure that it was ready with the transition to the issuing of passports in the UK. So that is an agreed thing. In fact, it has given more time for us to work through the transition in an orderly way.

Q27 Mike Gapes: To be clear, the letter you wrote said that the last place in the running order would be Dublin. When will Dublin be closed?

Matthew Rycroft: 31 March 2014.

Q28 Mike Gapes: So all of these 166 people will no longer be employed, or maybe a handful might be reallocated somewhere else, but effectively let us say for the sake of argument that 150-plus people will lose their jobs by March of 2014.

Matthew Rycroft: The 166 jobs that are currently there for the staffing of regional passport centres will end by 31 March 2014. We don't know how many people will pick up alternative jobs, and it might be considerably more than that small minority.

Q29 Mike Gapes: How many people is the IPS going to take on in the UK to do the work that is being got rid of in other places?

Simon Fraser: That is a good question. I don't know the answer to it. But of course there will be the creation of some employment in the UK. We can find out and write to you.¹

Mike Gapes: I would be grateful if you could.

Matthew Rycroft: And there will be some opportunities for some of those local members of staff to get those jobs working for the IPS. One has already done so.

Q30 Mike Gapes: Secondly, I want to ask you about the memorandum of understanding that you have just signed with Canada about sharing diplomatic facilities. I understand from the letter that was sent to various people last month by the Foreign Secretary that the co-location with Canada is not unique. We also do co-location with a number of EU countries in different places, and also with New Zealand. Is this the way forward for the future? Are we now going to be moving towards joint embassies with large numbers of countries and, as a result, going to be able to meet the challenging targets on cutting your budget and selling off assets around the world?

Simon Fraser: First of all, to be absolutely clear, as the Foreign Secretary has said, and as Mr Lidington has said, this is not about shared embassies in the sense of having diplomats working for other Governments. It is about sharing facilities, premises and services—

Q31 Mike Gapes: Sharing a building—that, presumably, frees up another building?

Simon Fraser: Indeed, and you are absolutely right to say that this is something that we do already. In fact,

we are already co-located with Canada in two places: Bamako and Rangoon. They are tenants of ours in Baghdad as well. But we do this also with other countries. For example, we are co-located with the Germans already in four places: Antananarivo, Pyongyang, Quito and Dar es Salaam. We are co-located with the French in three places and, as you mentioned, we are co-located with New Zealand and Estonia in Kabul and have multi-occupancy offices in Baghdad and Beirut. It is not a new thing, and it is something that we do with a range of partners. In my view it is, indeed, one of the answers for the future so that we can seek to manage ourselves as efficiently as we can within the budget that we have. If we can save money on premises, we can spend more money on people, and as diplomacy is basically about people, provided that we can do it in a way that protects our national interest and security, we believe that it is a positive course.

Q32 Mike Gapes: There is a very interesting sentence in the Foreign Secretary's letter which leapt out at me. It says: "We will continue to work closely with EU member states, and to pursue UK objectives through the European External Action Service." Is there a possibility that we may be co-locating with EEAS offices in, say, some African countries, or other countries where we do not currently have a resident ambassador?

Simon Fraser: I do not think that we have plans to do that at the moment with the EEAS, except that I believe that the EU delegation have been co-located with us in Baghdad, and Dar es Salaam, where the EEAS are co-located with us and Germany.

Q33 Mike Gapes: Very good—I am sure that that would be greeted with applause unanimously in all parts of the House. Can I move on to the issue of sharing with other UK Departments? The Public Accounts Committee published a Report, for which you, Mr Fraser, gave evidence last year. The Report was quite critical of the fact that there is insufficient integration in the management of Government properties overseas. It said that not enough was being done and I think it related to previous charging regimes mainly. I think that you have changed your charging regime, but how is it going in terms of getting other Departments—specifically DFID—to be in the same place as the FCO, so that we have a FCO and DFID UK office where you may also have Home Office people and immigration people and so on—is that going well?

Simon Fraser: I think that it is going well. I am sure that Matthew Rycroft will want to comment on this because he chairs the network board, which we convene with other Departments who work with us abroad to make sure that we are pursuing this agenda. Actually, I share the view that we need to drive more efficiency into this—we need to pursue this agenda of co-operation and co-location overseas. The new arrangements that we made for charging other Government Departments have been successful because they have given a sense of clarity and stability to those Departments when they come to work with us, and we have given them a fixed and declining cost

¹ See Ev 43

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for being on our network over the current spending round.

As I understand it—Matthew will confirm—we now have nearly 1,800 members of staff from other Government Departments who work in our posts overseas as opposed to 1,500 two years ago, which suggests that we are making progress. To give you a couple of examples, in Johannesburg, the British Council has recently come on to our platform. In Pretoria, DFID is doing that and in Delhi, about 100 members of DFID staff will be coming on to our platform shortly. I think, if I am right, that if things go according to plan, about 70% of the DFID overseas representation will be working co-located with us in the course of the next year, which is progress.

Q34 Mike Gapes: 70% of?

Simon Fraser: Of DFID's overseas network. Matthew, do you want to confirm that?

Q35 Mike Gapes: In the whole world?

Simon Fraser: Where they are overseas.

Matthew Rycroft: There has been a lot of progress. The figures that the Permanent Under-Secretary gave you show that there is a 20% increase, if you exclude the UK Border Agency, which is consolidating its overseas presence. With the exception of them, all of the others are increasing their co-location with us. All the Government Departments, including the Department for International Development, agree with the principle of co-location and have a plan, as the Permanent Under-Secretary said, to move into our compound or for us to move into theirs on some occasions. It is a single presence representing the Government as a whole.

Q36 Mike Gapes: Who gets the revenue from the sale of the assets? Presumably, it would be in your interests, if you had a financial problem, that you actually get DFID to provide the facility and move the FCO people into there. You can then sell off your budget problem rather than have DFID sell it off, and add to its already three times as large a budget as yours.

Matthew Rycroft: It is very much case by case, but the short answer to your question is that whoever owns the assets would get the benefit of selling it.

Q37 Mike Gapes: And the Treasury doesn't grab it? The money goes to the Department?

Matthew Rycroft: In the FCO's case, we are able to keep the money from our estates sales. We then recycle that capital into our estate. We do that constantly. I am sure that members of the Committee will want to ask us about that in detail.

Q38 Mike Gapes: I think that my colleagues will take that on.

Iain Walker: The benefits rest across the Government, not just within the FCO. VisitBritain, for example, has about 70% of its presence sitting on our platform. The benefit in that case would principally be for VisitBritain not having to purchase its own property. So the benefit rests across the Government.

Q39 Sir Menzies Campbell: Co-location in our countries or, indeed, with other Departments necessarily raises some questions about confidentiality and security. Are you satisfied that you are able to preserve what is confidential, particularly in the work of the Foreign Office as, say, for example, the work of the British Council?

Simon Fraser: Yes, I think we are. The model in each of these cases is different. In some cases, you will be sharing different facilities. In some places, you have purpose-built buildings in which you might be operating on different floors. It is possible to preserve our security and, of course, that would be an absolute requirement on our part. We would not compromise that.

Q40 Sir Menzies Campbell: I think that you have answered my question. Can you go back to the question of sales, which was referred to a moment or two ago, on the principle that anything you say in this Committee may be taken down and given in evidence?

Last year, Matthew Rycroft told us that the FCO's target for sales was £240 million over the four-year period from April 2011 to March 2015. There has been some speculation as to whether that target has actually moved. Is the target still £240 million or is it £200 million, as has been suggested in some quarters?

Matthew Rycroft: The target is now £200 million. We have changed the target. Four things have changed in the world, which have led us to change our target. First, this Committee and others have warned us about the danger of going too far, too fast in selling off heritage buildings. We listened to those concerns. Secondly, we have decided to transfer into the estate budget some of our capital funding from elsewhere in the FCO. Thirdly, some of our planned projects a year ago have been delayed or put off for other reasons. For instance, we are no longer planning to build a new embassy in Kabul, whereas a year ago we were planning to do so at some point in the coming years. Fourthly, in some parts of the world economic growth means that we are seeing rapidly spiralling property prices and one or two of the buildings that we are planning to sell are now expected to get a much higher revenue than we had expected a year ago. So by selling the same number of properties, we can actually increase the total sales. If we put all those things together, we judge that we now need only £200 million of capital, of which £60 million will come from elsewhere, so we now have a plan for the rest of this spending round period that adds up to £140 million of sales, and we have sold about £40 million.

Q41 Sir Menzies Campbell: The Committee will be gratified to know that its influence has been felt. Of the £200 million target, how much has been raised so far?

Matthew Rycroft: About—

Sir Menzies Campbell: In round figures.

Iain Walker: About £36 million.

Matthew Rycroft: About £36 million.

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Q42 Sir Menzies Campbell: You have two and a half years to go, and £160-odd million to make. Is that right?

Iain Walker: To date, we have sold £36 million. We have a number of projects in the pipeline which could be described as near completion. They have not yet been sold, but buyers are in place, and we know that their value is approximately £70 million. We have further sales—about 35—that we do not yet have a buyer for, but we expect to sell during the course of this spending round. I guess the summary would be that in the first year of the SR there was a lot of preparation for this activity, and gradually we are seeing that activity speed up, such that we now have a clear link between what we sell and what we buy in each year.

Q43 Sir Menzies Campbell: But as of this date, £36 million is in place in the right-hand column.

Iain Walker: That is right.

Q44 Sir Menzies Campbell: Are you confident that you will make the £200 million?

Iain Walker: I should think so. We have a clear pipeline of sales, and we seek only to sell. We need then to reinvest. As we mentioned to the Committee last year, we have a global assets management plan, which is corporate-speak for a clear plan of what we propose to buy and sell in each of the four years of this settlement period. It was a big piece of work to get that up and running, but now that it is in place, we are following that plan quite closely.

Q45 Sir Menzies Campbell: I think the compounds at Kuala Lumpur and Jakarta are particularly important in the achievement of the target. Is that right?

Iain Walker: That is right.

Q46 Sir Menzies Campbell: How far have you managed to proceed in the disposal of either or both of those?

Iain Walker: In both we are progressing quite well.

Q47 Sir Menzies Campbell: Have people signed on the dotted line?

Iain Walker: People have not yet signed on the dotted line, but as soon as they have, the sales will definitely be confirmed, but some are still subject to negotiation.

Simon Fraser: It is correct to say that those are two important disposals that we need to make. Might I ask Matthew to absolutely clarify the figures in relation to the £200 million for sales and the £60 million, because there is a risk of some misunderstanding.

Q48 Sir Menzies Campbell: It is rather difficult to follow. You mentioned the £60 million, and I am interested in where that comes from.

Simon Fraser: The £60 million comes out of the £200 million.

Matthew Rycroft: The figure that was £240 million last year, is now £200 million. Of that £200 million, £60 million is coming from other capital.

Q49 Sir Menzies Campbell: Such as?

Matthew Rycroft: Such as delayed IT spend. Money that a year ago we thought we would be spending on IT during these four years, we are now planning to spend on our estate, so the amount of £200 million which needs to be found from selling existing estate has fallen to £140 million. Of the £140 million, as Iain said, we have already sold £36 million, so we now need to sell a further £104 million over the next two and a half years. We are confident that we will do that. However, just as all those four things have changed since a year ago, it is perfectly possible that when we sit here in a year's time, other things will have changed and some of those numbers will have moved around. We will need to be flexible enough to respond to those changed circumstances.

Q50 Sir Menzies Campbell: We will look forward to hearing what progress is in 12 months from now, having given you advance notice in the evidence you gave today.

You were intending to relinquish Old Admiralty Building. How far have you proceeded with that?

Simon Fraser: We are making good progress with that. What we are aiming to do in London is to consolidate our presence in one building—the King Charles Street headquarters. We will also have, as we already do, staff in Milton Keynes at Hanslope Park where some of our support functions are undertaken. That will be the new UK footprint for the Foreign Office.

We have had a lot of focus on this project this year, and we are now in the process of implementing it. We have just gone through the first gateway review with the major projects authority, and I am pleased to say that we got an amber appraisal which, for the first of the three phases that you go through, is fairly standard.

We have some issues still to resolve, which I will ask Matthew to fill in, on the funding of the project, but essentially, we will be relinquishing the Old Admiralty Building back to the Government property unit. It will then become available for another Government organisation to use. It has a capital value of about £65 million. In addition, we will save a minimum of about £5 million a year in running costs to the Foreign Office through that consolidation. This will help us refurbish King Charles Street, which needs some work, and modernise the working environment for our staff to make it more efficient and effective, including by creating the new language centre that the Foreign Secretary wants to open next year.

Q51 Sir Menzies Campbell: Is that in King Charles Street?

Simon Fraser: That will be in King Charles Street, and we will also have a new, expanded secure zone so we can improve our working with high-classified material and so forth. Modernisation of the whole working environment is very much part of the objective.

Q52 Sir Menzies Campbell: Will there be enough space to accommodate everyone displaced from the Old Admiralty Building?

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Simon Fraser: We are going to move in about 600 members of staff, but we will be moving to more open working and shared desking, as other Government Departments do, so that we will be much more efficient in the use of space. There will be sufficient space for those staff.

Q53 Sir John Stanley: Permanent Secretary, in my time on this Committee, my experience has been that the bean counters in the Treasury have an unrivalled inability to take into account the intangible value of the diplomatic estate assets. By “intangible value”, I mean first of all having premises that people actually want to go to and feel pleased, if not honoured, to be invited to for functions. It is intangible also in so far as their location and quality makes a statement about the importance that the British Government attach to their bilateral relationships with the country in question. Do you as Permanent Secretary accept that those are important intangible values that should be attached to the diplomatic estate?

Simon Fraser: Yes, Sir John, I do. I feel strongly that we have certain diplomatic assets around the world in terms of estate that are actually national assets, not just assets for the Foreign Office. The Foreign Office is privileged to use them, and seeks to use them as effectively as possible on behalf of the nation. I agree that some of them have intangible value. I was recently in Singapore, for example, where we have a very impressive and prestigious residence, which our high commissioner is using extremely effectively, including commercially, to project Britain. I think projecting Britain around the world is an important part of our diplomacy.

Although I cannot say absolutely that we will not in future have to consider some of those assets within asset recycling, I think that we need to be extremely cautious about that; I share the Foreign Secretary's view on it. For example, our policy would be, wherever possible, to preserve and enhance those assets. A good example is Brussels, where we are investing in enhancing Rue Ducale, our major residence there, so we can use it as a venue for projecting Britain. All our ambassadors—to NATO, to the European Union or the bilateral ambassador—use it collectively as a national base. In that way, we are able to make sure that as we are obliged to find savings, we can protect those intangible assets that you described. I am absolutely in accord with you on that.

Q54 Sir John Stanley: You referred to previous inquiries by this Committee. Against that background, are you absolutely confident that during your period of tenure as Permanent Secretary of the FCO, there will be no repetition of the type of fiasco that we had over the sale, for example, of our ambassador's residence in Dublin, which we then humiliatingly had to buy back at a greater price than we had sold it for?

Simon Fraser: I sincerely hope that that will not be the case. I will do my very best to make sure that it is not. I was in Dublin recently and was talking to our ambassador there about it. I think I can give you that assurance because I believe that the way that we manage these things—our financial and estates

management—is much better now than it was some years ago. We have a much clearer view of what our requirements are. While I cannot promise that there will not be further pressure on our capital budgets, I think I can promise that we will be professional in the way that we manage those budgets.

Q55 Mr Baron: My question, Permanent Secretary, is on the wisdom of some of these sales. In answer to Sir John's question you quite rightly said that your aim is to enhance assets. Yet here we are hoping to raise at least £50 million from selling the compounds in Kuala Lumpur and Jakarta—two countries with fast-growing economies and growing importance, and yet on paper at least we seem to be downscaling our presence. I notice that Mr Walker is a trained accountant. He is no doubt a very good accountant. But accountants have a certain view of the world and look purely at the finances and not the wider picture when it comes to diplomacy and the importance of having the right tools at your disposal, including the right assets on the ground. How do you justify closing two very important compounds in Jakarta and Kuala Lumpur?

Simon Fraser: As it happens I have visited both those places in the last month, so I am unusually well qualified to comment. The fact is that if you take the first one in Jakarta, it is not a secure site. It is not a safe site. It is also a building that dates back to the '50s or the '60s. This is the office, not the residence. We need to move for security reasons. This is a decision made quite a long time ago. We are in the process of constructing a made-to-measure, specifically designed, purpose-built embassy building there which will open in the first half of next year.

You make a very good point about the scale of our presence there. The interesting thing about Jakarta when I went there was that I found, to my pleasure, that as a result of network shift we now have six more front-line diplomats in Indonesia than we had about 18 months ago. The lesson is that we have to maintain flexibility in our estates planning because the world changes and our presence changes. That is an important point. As for Kuala Lumpur, we have an office estate which is very considerably above scale now in terms of what we have there. It is not really needed. We are moving to a new, more modern premises but we are maintaining the very good, useful and good-for-purpose residence that the high commissioner has, which is a very effective residence for representational work. So we think very carefully in each case. Of course the circumstances in each case are different and very often security is a driver in those decisions.

Q56 Mr Baron: But you are sure, Permanent Secretary, that we are not in any way moving away from assets when it comes to people but rather assets when it comes to physical assets on the ground? We are not impeding in any way our ability to achieve our objective of being the best diplomatic service in the world? I am not conscious, for example, that the French or any others are getting rid of their assets. You may have more information.

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Simon Fraser: We are moving to more modern, more flexible premises. Many of the premises we have around the world, frankly, have come to the end of their useful life. So, for example, because we have changed the way we work we do not need these days the large, confidential and highly secure zones in our embassies that we used to need. We have less requirement for that. So we are also much more ready and, in fact, desire to have more open-plan working rather than individuals sitting in individual rooms. We like to integrate, where we can, more effectively our UK-based and local staff so they work together. In effect, the modern premises we move to or build often enable us to work more effectively in modern ways and use, for example, the IT we have now. It is true that Jakarta is a very difficult environment because of the tremendous congestion that makes getting around the city difficult. That is a fact of life in that capital, but I think it is a fact of life wherever you are located.

Matthew Rycroft: May I just add one thing on Mr Baron's question? I just want to defend the role of accountants in the decision-making process. There needs to be a blend of specialists, who have real expertise in areas such as accountancy, estates, IT or human resources, along with diplomats who have the expertise in terms of what our diplomacy needs. At all the different levels of official advice to our Ministers we have that. In our Operations Committee, in the Foreign Office Management Board that the Permanent Under-Secretary chairs, and in the Supervisory Board that the Foreign Secretary chairs we have that blend of specialist expertise and diplomacy.

Mr Baron: Mr Rycroft, some of my best friends are accountants.

Q57 Sir Menzies Campbell: Scottish accountants have always been known for their breadth of vision, especially those with a legal background. Since we are on the '50s and the '60s, I wonder if there is any plan anywhere in the Foreign Office to do something about that awful embassy building—not the wonderful residence, but the awful embassy building in Washington, which sits so unhappily besides Lutyens's perfect residence.

Simon Fraser: I will refer to the chief operating officer.

Matthew Rycroft: I spent three and a half happy years working there. It has changed for the better—on the inside at least—since then. They have done a good job in turning it into a more open-plan, modern office, but that has not changed the external look from Massachusetts Avenue.

Simon Fraser: May I add one point in response to Mr Baron? Matthew raised a very important point about the new Supervisory Board that we now have, as other Departments do. Our non-executives have taken a particular interest in our estate management, which they identified as something that they wanted reassurance on. We have discussed it with them in that board, and they are getting closer to this issue. Frankly, we welcome that because we want to achieve the happy state that Sir John described, in which we avoid mistakes.

Q58 Chair: We have Sir Richard Lambert coming to see us shortly.

Simon Fraser: Good.

Q59 Mr Ainsworth: Can I move on from buildings to people—staff deployment overseas and development? Deployments overseas are important, if not vital, to the development of staff within the Foreign Office. It is our job as a Committee to monitor whether or not the Department has effective and sustainable development plans for its future, yet you have declined to give us the detail of staff deployments overseas. What we have got, as far as you have been prepared to go—these rounded figures and ratios—do not give us the ability to track what is actually going on, Permanent Secretary.

Simon Fraser: This is an issue we have discussed; I recognise it is a serious concern of the Committee, and I have in fact discussed it and corresponded with the Chair about it. I hope the Committee feels that we are pretty transparent in the provision of management information where we can. We do it wherever we can, although there are some areas where it is less easy for us because of the nature of our overseas operations and the fact that we work with other parts of Government. A certain amount of rounding in the information we give is therefore both appropriate and necessary, I fear. It would be difficult for us to go further than where we go.

Q60 Mr Ainsworth: You cite security and operational reasons, but you understand—I hope you understand—the difficulties that gives the Committee. Is there information you would be prepared to share with the Committee on a confidential basis, beyond these rounded lists?

Simon Fraser: I would be prepared to have a confidential or closed discussion with the Committee, but I am not in a position to go further than the information that has been shared in terms of the numbers, which are rounded, I think, to the nearest five in post. I would be very happy, in a private discussion, to explain further some of the issues that are involved.

Q61 Mr Ainsworth: I think we understand the issues, and I think that you understand the real intractable difficulty of this in tracking what you are doing. You cannot go into more detail than that, even on a confidential basis?

Simon Fraser: I am afraid that that is the situation.

Q62 Mr Ainsworth: Looking at these rounded lists, can you give us an idea of what the thinking is behind the ratios? Is there a plan or a model behind the ratios of local employed staff to deployed staff in various parts of the world? There are huge variations—9:1 in one direction and 9:1 in the opposite direction. What is the rule of thumb?

Simon Fraser: There is not a single rule of thumb beyond the most effective configuration of our staff to achieve the objectives in different posts, and different considerations apply. For example, in some parts of the world, the primary objective of a post will be a commercial or a consular objective, and in those posts

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one is very likely to find that the majority of the staff are locally engaged, perhaps supervised by someone from the UK. In many cases, missions or posts are led by locally engaged people. In other cases, the focus of a post may be much more towards security-related work, or the political or security environment in that particular country may be more difficult, in which case one has to make a different judgment and you are more likely to wish and need to deploy UK-based staff. One makes those decisions based on the function and the circumstances in individual places.

Q63 Mr Ainsworth: Can I ask about the reductions that you have committed yourself to in junior grades in overseas postings? Where are we with that? How far have you got, and when do they take effect?

Simon Fraser: This measure, which we discussed last year and have corresponded on since, will mean that we will, over the period to 2015, reduce the number of postings overseas for people in what we call the A and B band in our staff by about 300 jobs. Some of those jobs will be localised; some will be abolished because we will do things differently; and some of them will be reconfigured in other jobs. We are making progress on that: my understanding is that 88 of those staff have returned by now, and 55 more will return during this financial year. The majority of the returns will be in the next financial year, because we wanted to give people time and to phase this in over the spending round period. We are on course to achieve that. I should like to underline that, while we are doing that, we are also, through the network shift, creating more overseas jobs for diplomats. As a result of some of the things that we have been discussing today, I have calculated that by 2015 we will have over 100 more UK-based policy staff in our embassies overseas, so this is a part of a reshaping.

Q64 Mr Ainsworth: Having lost 300 overall.

Simon Fraser: Having reduced 300 support staff, we will have 100 more policy staff around the world.

Q65 Mr Ainsworth: So it is a net reduction.

Simon Fraser: It is a net reduction. We have to reduce our UK-based work force over this period by something in the region of 10% in any case, but while meeting that requirement, we are seeking to restructure and refocus in order to meet the ambitious objectives that the Government have in foreign policy. The other aspect of this, which I want to emphasise, is that I fully recognise that for many people concerned, this is a very difficult change that we are going through and it has been controversial. We have done our best to create different types of opportunity for junior staff in the Foreign Office, looking at the needs of the organisation in the future. We have been able to increase internal promotions, for example, for staff from band A to band B; that has gone up from 30 to 50 this year. In our internal assessment and development centre, to get into the next policy grade, band C, we have increased the places from 120 to 160; and we have introduced a new scheme called the accelerated promotion scheme, which means that 27 people have been able to jump from those bands into the next band up. We are trying to create more internal

upward mobility to help to support those staff in advancing their careers. That is supported by a very considerable increase in training opportunities that we are giving them in policy-related skills in order to support their development. I think it is important to emphasise that point, to demonstrate that we are seeking to address the impact of this difficult decision.

Q66 Mr Ainsworth: Those opportunities that you are creating for people have been created in response to the very real problems that these reductions have given you, though, haven't they? Has staff turnover gone up? What is the situation with regard to morale?

Simon Fraser: The opportunities that we have been giving are actually in response to the fact that we are creating more opportunities for people to do diplomatic work in the higher grades and therefore we are giving more promotion opportunities, which is—

Q67 Mr Ainsworth: So you do not have a problem with turnover?

Simon Fraser: We do not have a problem with turnover in the Foreign Office overall. It is true that some staff in the A and B bands have decided that it is no longer for them, and that is a legitimate choice. But clearly it is in our interest for that not to happen, because we have very able people. We have very able junior staff. We value them and we want to give them more opportunity to rise. If, in the long term, one of the consequences of this difficult decision we have gone through is to create more upward mobility, that could be a silver lining for some of those staff at least.

Q68 Mr Ainsworth: Could I return to the posts that you are reducing? If you are on track with that reduction, why has the associated HR savings target been reduced? It was £30 million; it is now £23 million.

Simon Fraser: For the savings from that—Matthew, do you want to explain the sums?

Matthew Rycroft: We are on track for the revised target of £23 million. Once all these jobs have been localised, regionalised or eliminated, that is the saving that we will make in financial year 2014–15. We are on track to do that, but you are right to say that that is below the originally expected target of £30 million. There are two reasons for that. One is that the number of jobs that turned out to be in scope for this reduction started from a smaller number: it was 350 down to 50, rather than 450 down to about 50. Secondly, the initial £30 million figure was based on some assumptions, some average numbers and some predictions that turned out not to be completely accurate. So the £23 million is the target, and we are on track to meet that.

Q69 Mr Ainsworth: You took some of the staff out of scope with regard to the savings, and that is what led to the reduction in the savings target.

Matthew Rycroft: The total number of A and B band staff in the network who were subject to this policy was 350, and that is what has now been reduced to about 50—to 52, in fact.

Q70 Mr Ainsworth: The trade union, the PCS, told us that your short-term overseas attachments for junior

staff were not popular and were not being taken up in great numbers because the placements were not long enough and therefore were considered to be not a benefit but a burden on permanent staff. How is that going down? How are we doing with these shorter-term overseas attachments?

Simon Fraser: The short-term attachments are another of the mechanisms that we have introduced to try to create new, different types of opportunity for development and learning, and experience—overseas experience—for staff. We have so far offered 200 of these attachments in different parts of the world, and they vary in duration—sometimes three months; sometimes a week—depending on the requirement. They may be covering somebody's leave, for example, or working on a specific overseas event or conference or something like that. We have offered 200, of which 130 have been taken up. That is a reasonable take-up—about 66%.²

We have addressed the causes. We have consulted and discussed why some people find it difficult to do it. It is true that for some people—for example, with different family circumstances—it is not easy to go away for a short period of time, whereas for other people it is relatively easy, so we need to try and tailor this offer to the different circumstances of different people. There is some evidence that we are making progress on that, because since September, take-up has gone up to over 75% of the offer.

It is perfectly legitimate for the PCS to raise the question. We need to refine this offer, but I do think it is a valuable offer. I have talked to a number of the staff who have taken up these short-term attachments and they have had a very positive experience. I do not for a minute claim that it is the same as a three-year overseas posting, except if you do two or three of these things you get a variety of experience, which could be broader than just a single experience over a longer period of time.

We have offered these attachments all round the world—Santiago, Quito, New York and Athens are examples of attachments that have been brought to my attention recently. I think they are working, but we need to keep refining this offer.

Q71 Mr Ainsworth: How have you got that take-up rate up from 66% to 75%? By offering incentives, or just by being a bit more flexible with people?

Simon Fraser: By engaging with people and understanding what their concerns are. For example, some people wanted longer notice so that they could make their preparation; there was a problem of opportunities coming up rather too rapidly and people not being able to adjust. Another issue, frankly, has been persuading line managers to release staff. We have sought to encourage that—more than encourage it, actually—because I think this is an absolutely crucial part of the offer that we can make to the junior staff. If we are going to be credible in what we say, we have to try to make that work as best we can.

² Note by witness: We offered a short-term attachment to the Cabinet Office which lasted three months. A short term attachment overseas usually covers a period of around three weeks

Q72 Mr Ainsworth: Just one more thing: you told us that as part of your continuous improvement plan—there is a good deal of management speak there—you were creating a London version of the short-term attachments. I take it this is to move people around the regions within Great Britain in order to get experience in different sections. How does that work?

Simon Fraser: It is an extension of the same principle, but in London it is a less formal thing. For example, we are taking great care to think about when we can offer people opportunities to do different things, rather than just sit behind one desk and do the same thing all the time. To give you an example, in my own office we have invited junior members of staff to come in and work—covering leave, for example—to get an experience of working in the Permanent Secretary's office for a couple of weeks. When I travel abroad, normally I would take a private secretary, but on three occasions now I have taken A or B band members of staff with me, so they can get an experience of travelling abroad with me. I am not alone in doing this; I think other senior members are doing this. We are just sort of breaking through some of the familiar barriers and thinking about new ways of doing things and engaging people with it, but that is not instead of the overseas attachments; it is in addition to it.

Sir John Stanley: Can you tell us in what countries around the world you judge our locally engaged staff are at most risk of coercion, threat, or intimidation?

Simon Fraser: I probably could, but I am not sure I should, Sir John. Clearly, it is a very important issue. As we think about the shaping of the work force and the fact that we are relying increasingly on local staff, which I know is a subject of interest to the Committee, we must make sure that we do not put our local staff into inappropriate positions where they are subject to pressure. There have been some cases in some countries. We need to be very conscious of that, and indeed we are conscious of that.

Q73 Sir John Stanley: I am disappointed that you will not be more forthcoming with the Committee, Permanent Secretary, so I will ask you straight: what is your judgment today of the risk of our locally engaged staff in Russia becoming subject to coercion, intimidation and threat?

Simon Fraser: I think that is a very considerable risk. Indeed, of course it does happen, in that country and in some others. It also applies to UK-based staff. It is a fact that working in a western embassy there exposes you to certain levels of discomfort.

Q74 Sir John Stanley: Do you judge that such a risk also arises in China?

Simon Fraser: It arises in a number of countries. It has also arisen in countries in central Asia, for example. We are conscious of it and we monitor it very carefully: as part of our security considerations, our management board monitors the number of cases every month where we believe that there has been pressure placed on staff. It is very important that we know about these cases and that we deal with them.

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Q75 Sir John Stanley: Have you given any further consideration to exercising the right that any Government that is a signatory to the Vienna convention has under that convention—I appreciate it requires the consent of the host Government—to seek diplomatic immunity for particular members of locally engaged staff? Is that still an option that you have in mind and might consider exercising to give greater protection to our locally engaged staff?

Simon Fraser: Indeed, Sir John, we do think about that. We sometimes pursue that, but actually, for locally engaged staff, it is the decision of the host Government as to the level of immunity and protection they are afforded under the treaty, so there are limits on our capacity to do that. Certainly, we seek in some cases to achieve recognition of their status as diplomatic agents on the part of the host Government.

Q76 Sir John Stanley: Have you exercised that particular right, with the consent of the host Government, successfully in any specific countries?

Simon Fraser: I cannot answer that question now.

Q77 Sir John Stanley: Can you give us the answer in writing subsequently, please?

Simon Fraser: I am happy to do so.³

Q78 Sir John Stanley: One other question, if I may. You are including locally engaged staff in what you call the new strategic work force plan. Can you tell us whether that has any implications, beneficial or adverse, in terms of the terms and conditions, job security and so on of locally engaged staff?

Simon Fraser: I can. What we have done recently—very recently—is made some quite considerable reviews of some key issues relating to our personnel policies, both for our UK staff, looking at their performance management, postings policies and things like that, and for our local staff. The principal objective for the local staff was to go further in seeking to give them some voice and a sense of belonging and participation in the Foreign Office as a whole, because they are an increasingly important proportion of our work force. We have taken a number of decisions to try to address issues relating to their terms and conditions and to the way we grade them, so that there is more uniformity in our grading structures. We have also tried to give them more access to the decision-making processes in London—for example, to give them the right to comment on decisions that are made by the management brand in London, and therefore to have a direct voice in the sort of issues you mentioned, such as their terms and conditions, security of tenure and so forth. Of course they are employed locally by each mission, under local employment law, so there will always be a distinction between the terms and conditions on which we employ local staff and those on which we employ our UK-based staff, and I do not see that disappearing.

Q79 Mr Baron: I have one question, permanent secretary. Can I move us on to the EU, very briefly? A couple of years ago we were punching well below

our weight with regard to the number of posts that we acquired within the EU relative to the size of country we are and the total mix. That was recognised at the time. What progress has been made since then? I have no figures in front of me, but if my memory serves me correctly we should have had something like four times the number of posts, relative to our size and influence within the EU. It was partly a question of language, training and other factors, but what progress has there been on that front?

Simon Fraser: Matthew has the figures, but the general picture is that it still remains a concern for us that, in the institutions of the EU, the UK is relatively under-represented. Indeed, the situation is deteriorating.

Mr Baron: Deteriorating?

Simon Fraser: In the middle ranks of the EU. As we go on, we have relatively fewer officials who are currently in the institutions coming through.

We have made a considerable effort to up our game in terms of reintroducing the European fast stream approach and directing people towards the institutions. Matthew can probably give you some more figures on that, but just on the external action service, which is the new diplomatic service, that is where the Foreign Office is particularly active in seeking to ensure not only that British officials in the institutions in Brussels get jobs in the diplomatic service, but that we are seconding Foreign Office officials into it. We have so far 19 FCO staff working in the EAS on secondment, with the expectation that they will come back to our national service. That is one aspect of it. Do you have broader figures?

Matthew Rycroft: Only one other figure to add, which is, in addition to the 19 FCO secondees to the European EAS, there are 132 British EU civil servants who work there.

Mr Baron: That is still very—

Matthew Rycroft: It is still below where we should be, given the size of our population and our contribution.

Q80 Mr Baron: It is not just small. Has it made any advance on what we recognised as a problem a few years ago?

Simon Fraser: That is the external action service and is therefore new. Although it is not quite up to where we should be, it is not dramatically below. I think the problem lies more specifically with the Commission in particular, where relatively, our proportion is lower. We do want to work on that. You alluded to the recruitment processes, and we have been talking to them about that. We feel that, for example, the language requirements are particularly difficult for British people, who do not normally speak two other European languages fluently in the way that citizens of other countries often do. There is some sort of structural disadvantage that we must work on.

Chair: We will come to languages in a minute.

Q81 Mike Gapes: Before I get on to issues to do with diplomatic excellence, I want to ask Mr Rycroft a follow-up question. You said that we made a decision not to build a new embassy in Kabul. Can you tell me when that decision was taken, how much we are likely to save, and what the reason is for not

³ See Ev 44

building a new embassy? Is this a political decision to do with some kind of long-term thinking about Afghanistan?

Matthew Rycroft: I can answer the third question, but not the first two, off the top of my head. The answer to the final question is that it was not a political decision. We have a clear political long-term commitment to Afghanistan, including through the presence of our embassy, which I visited last month. We are not planning to build a new building because we hope to be able to continue to rent the existing buildings—three different compounds all adjacent to each other. We are hoping to continue that lease into the indefinite future, rather than having to build a new and expensive building in Kabul.

Q82 Mike Gapes: Could you give us some written information on that and any details about the implications of costings and so on? It would probably be helpful to the Committee.

Matthew Rycroft: Absolutely. We can do that on when we decided not to build and what the capital costs would have been.⁴

Mike Gapes: Thank you.

On the diplomatic excellence programme, which has been going for nearly two years now, could you tell us whether it is really anything new, or is it just a rebranding of what you were already doing and of existing statements of aspirations for the kind of things that the Foreign and Commonwealth Office ought to be doing anyway?

Simon Fraser: Yes, it is something new. It brings together, in a much more coherent way across the whole Foreign Office and its overseas posts, a much clearer sense of priority and purpose about what we are seeking to achieve. It is structured around driving up the quality of our policy work and our diplomacy in the field, so that we are an influential, leading and convening Department for international affairs in the British Government, working with other Departments. It is also linking that to the sort of approaches towards our personnel management that we have been discussing, to ensure that we have the shape and deployment of our people to support that aspiration—the aspiration to be the best diplomatic service—and that we have, as we have also been discussing, the network in terms of resources and assets around the world to support it. So it is a more coherent approach to the improvement of the Foreign Office than we have necessarily had in the past. It is not, in my view, what you might call in the jargon a “change programme”, owned by a group of people in London who are telling everybody else what to do. It is more a shared aspiration and shared understanding of how we want the organisation to develop in support of the very ambitious targets that our Ministers are setting us.

Q83 Mike Gapes: I understand that you have been organising training sessions on diplomatic skills—I think “international policy skills” is the term that is used—and that 700 of your staff attended courses in the year 2011–12. Can you tell us how you train staff

in negotiation and which grades of staff are invited or allowed to take part in those courses?

Simon Fraser: On the second point, those courses that we have introduced on international policy skills as well as, for example, networking and negotiation, are targeted primarily but not exclusively at the junior grades. A lot of that is targeted towards giving the junior grades the opportunity to learn skills of diplomacy, but also the middle grade people as well. You are correct; I think the figure is about 675 people who have done versions of those courses. How do you do it? Matthew is perhaps closer to this, but we are re-procuring some of those courses, driving down the costs and making them more tailored to delivering results. Do you want to talk about that, Matthew?

Matthew Rycroft: I just wanted to say a couple of additional things. First, according to the most recent staff survey, which was a year ago, we are the best large organisation in the civil service in terms of getting genuine investment out of our learning and development. Secondly, our training review over the past year has very much been driven by research that suggests that it is a 70:20:10 model. The average person gets about 70% of their development from doing their day job, about 20% from talking to their colleagues, mentors and coaches, and only about 10% from formal training courses. In addition to the training courses that make up the 10%, we are putting significant investment in terms of time into things such as learning sets and people training and developing on the job.

Q84 Mike Gapes: How do people get on these courses? Do they have to be recommended by their line manager? Is there rationing per section? How does it happen?

Matthew Rycroft: They have to apply and they need the agreement of their line manager, but the individual should really be driving their own career, including their own development. Diplomatic excellence is about each individual thinking about what they need to develop.

Q85 Mike Gapes: Are they oversubscribed? Do you get a lot more people wanting to do them than there are places?

Matthew Rycroft: As a general rule we do. I don't know about this particular one.

Simon Fraser: That particular course has been very heavily subscribed for the junior staff. It is a new offer and it has been very popular. Every member of staff in the Foreign Office has something called a personal development plan, or they should do, and within that they should be identifying the areas in which they want to develop and then seeking the appropriate mentoring, training and support to make that happen.

Iain Walker: That is done in addition to the normal appraisals and in-year staff management. That is very well enforced and followed across the Foreign Office.

Q86 Mike Gapes: I understand you also have something called an expertise fund. How big is that?

Simon Fraser: I think it was £2 million. I will have to check. It was something that we introduced

⁴ See Ev 43

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specifically to support the better foreign policy aspect of diplomatic excellence.

Q87 Mike Gapes: Is that open to anyone to apply?

Simon Fraser: I am sorry, but I am not familiar with the detailed operation of the expertise fund. I can write to you about it, however.

Q88 Mike Gapes: Finally, getting on to the question of skills and expertise required for promotion, can you clarify this for us? The Foreign Secretary told us—he has said it publicly on other occasions, including in his speech on 17 October at the British Academy—that he wants staff with experience of serving in difficult places, an intimate knowledge of places and language expertise to reach the top levels of the FCO. He recently described those language skills as a fundamental requirement of diplomacy, but I understand that the core competencies that you require for senior posts do not reflect that requirement on language skills. Could you clarify that? Is there an attempt by the Foreign Secretary to move things in one direction, but the organisation has not yet caught up?

Simon Fraser: There is a risk of conflating two different things. When we promote people in their career, we look to see that they have attained certain levels in what we call our core competencies, which are the core competencies that we expect diplomats in the Foreign Office to have, be they in terms of their leadership skills if they are going to the higher ranks, or the way that they work with other people, and so forth. However, when you appoint someone for a particular job, of course, you look at the skills and expertise that they bring to bear in that job, and language training is very clearly one of those. So we have focused a lot, in response to the challenge from the Foreign Secretary, on improving our language skills in the Office. I have talked about opening the language centre. Some 74% of our staff now have some sort of registered language skill.⁵

Q89 Mike Gapes: Does that mean the ability to speak it fluently or just to comprehend it when people speak it to them?

Simon Fraser: We train people to three different levels, so there is what we call “confidence”, “operational” and “extensive”. Depending on the requirement in each individual job, we look at each—

Q90 Mike Gapes: Many of those people would be just at the competence level, and not the extensive level?

Simon Fraser: Some are at confidence level, and some will be at different levels. It is very expensive to train somebody in a hard language, and you do not need to train everybody to the highest level, but what you need to do is make sure that you have the right range of skills. Some of those people are developing that language skill over time.

Q91 Mike Gapes: As you will recall, Rory Stewart, who is not with us today, has pursued this issue

vigorously on the Committee’s behalf, and particularly on the need to have people in difficult countries such as Afghanistan who are Pashto speakers. We found that there weren’t any. There might be somebody who speaks Dari, but Pashto was probably more useful in the areas where the British forces and our British interests were at that time. Is it not the case that you should be putting a greater emphasis on language skills and therefore, you should reassess your requirements and appraisal system to give greater weight to languages?

Simon Fraser: On the first point, yes, there is a case, and yes, we are doing it. We have significantly increased the money we spend on language skills. For example, if—

Q92 Mike Gapes: What about your appraisal system in terms of people’s promotions?

Simon Fraser: If you take Arabic, we currently have 60 people in the middle east who speak Arabic. We have 30 people currently learning Arabic, so we are significantly increasing that. In terms of promoting somebody in terms of their general ability, somebody may be the most brilliant linguist but they may not be the most brilliant diplomat, so we have to look across. When we appoint somebody to a specific post, of course, we look at their language skill, which is essential. We have 101 heads of mission jobs where there is a local language requirement. We have got to the point now where well over 90 of those heads of mission in those jobs speak the local language. We are not perfect, but we are really pushing towards tailoring this, recognising its importance.

On the point about promotion and appraisal, one of the reviews that we have just undergone on the personnel side, which I discussed, has looked at our appraisals form, which was very heavily based on a competence appraisal. We have decided to move that a bit, so that we take account not only of competence, but of a range of experience and skills that people have. So, to some extent, it is fair to say that we are moving in the direction you indicate, which I am sure is welcomed.

Matthew Rycroft: Shall I just jump in to answer the expertise fund question from earlier? I apologise that I did not have the right piece of paper in front of me at the time. The total budget of the expertise fund for this financial year is £1 million, and its purpose is to deepen regional and geographical policy expertise. It has funded 216 selected projects. For instance, it has allowed the creation of an India cadre, so people really get under the skin of Indian culture, politics and history. It has allowed training for our staff dealing with prosperity issues in the energy sector, and it has also allowed secondments, for instance, to the New Zealand Ministry of Foreign Affairs and Trade.

Q93 Chair: Going back to the point that Mike Gapes brought up, do you say that for a particular post you need the following skills, languages and expertise? Do you have criteria set down for a position?

Simon Fraser: I will ask Matthew to come in as well, but it is a mix really, at different levels of the office. Clearly, you cannot at all levels of the office always have staff who have all the skills and expertise. If you

⁵ Note by witness: The FCO would like to make clear that this figure relates to our UK-based staff and not all our staff

did, you wouldn't be able to develop people. At senior posts, one would certainly be looking for the appropriate experience in the region, the appropriate language skills or, for example, commercial skills, depending on the post. Clearly, one looks for that.

Q94 Chair: Take a really important job such as the ambassador to Beijing. I would have thought that, apart from being a good diplomat, he would have to have commercial background and good language skills.

Simon Fraser: Indeed, our current ambassador in Beijing speaks fluent Chinese and worked for six months at Rolls-Royce before taking up the appointment. Exactly.

Matthew Rycroft: Each job has a job specification that sets out the essential requirements of the job and also those that are desirable. It picks out four of the competencies and the minimum requirements for languages and expertise and experience.

Q95 Chair: Coming back to the fluency level, there are different grades. A post in Beijing would be at the highest grade. The ambassador would have qualification at the highest grade.

Simon Fraser: Certainly, you would expect the ambassador to, but you might decide that somebody working in one of the jobs, say a commercial job, in a post such as that, did not need absolutely fluent language but needed to be able to get by. So you would not necessarily train everybody to the same level. You might train someone to a level to one posting, and then you train them to the next level for another. That is very long-established practice in the office. When I learned Arabic, I learned operational and then advanced.

Q96 Chair: The ambassador in Beijing, his language proficiency is at the highest level?

Simon Fraser: I am sure it is. I can check for you but he is very able.

Q97 Chair: I just used Beijing as an example. What plans have you to increase the language facilities? I know you are planning to reopen the language school shortly.

Simon Fraser: We are planning to reopen the language school, I hope in the first half of next year as part of this refurbishment of King Charles street. We have been looking at the requirement for it. We have now got a plan that I think would allow us to have about 1,000 students coming through the language school. I think we settled that there would be about 30 private individual tuition rooms as well as some collective classrooms. So that is quite a considerable resource. We would still contract teachers; we would not set up a school in the sense of having fully employed teaching staff in the Foreign Office, but we would have the teaching done in the Foreign Office. There would be the advantage of getting a sort of esprit de corps through the people who are learning languages being close to the people who are running the policy. You would get that advantage as well.

Q98 Chair: Are people identified months, or even possibly years, in advance for specific jobs, and therefore given the correct language training?

Matthew Rycroft: Yes. The norm is a year in advance plus whatever language training is required. Sometimes a year and a half or two years in advance for the senior jobs.

Q99 Chair: Do all grades do language training?

Matthew Rycroft: All grades where the slot has that requirement, yes.

Simon Fraser: We have things that we call speaker slots. If you apply for and are successful in getting a speaker slot, you will either have the language or, if it is agreed, you will have the opportunity to learn the language linked to that slot.

Q100 Chair: Turning to trade and the commercial side, what are the main indicators that the greater emphasis on commercial work is bearing fruit at the moment?

Simon Fraser: As I said earlier, this is a long-term effort and it is not always easy directly to attribute cause and effect, but I would say that we have had some very positive feedback from the business community generally about the way that the Foreign Office has engaged in commercial diplomacy in the last couple of years, including their feedback on the Foreign Office's *A Charter for Business*, which is something we published about 18 months ago. I think that our engagement with business is effective. I have done more than 40 business events—speeches and meetings—this year, which is just one example. We are active.

In terms of the results, of course one can look at the trade and investment statistics, but to what extent that is attributable to the activity of the Foreign Office is a question. There are, however, specific cases where it is quite clear that the intervention of our posts has supported the delivery of a very significant outcome. For example, we were very actively involved in the decision by China to trade the renminbi in London. The recent decision about the Malaysian investment in Battersea power station, which is an £8 billion project, was very much linked to the work of our post, together with UKTI embassy work that went on around the Olympics, which we were very closely involved with. We can point to individual cases. Another one is the Hitachi investment in trains and, indeed, nuclear, on which we have been working closely through our mission and with their representatives here.

We are supporting business. The Foreign Office is there to support and facilitate; not to duplicate what the UKTI is doing in terms of its specific objective, but to create an environment of political engagement to explain to businesses how to operate in different markets and to create those relationships of confidence which are so important to achieving success in negotiation.

Q101 Chair: I have heard such good reports about the success of the business embassy during the Games. Is there a case for making it a permanent arrangement?

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Simon Fraser: There is a discussion going on about whether we should be able to make this an annual event in one way or another. Of course, I have to say that it was a very major effort—

Q102 Chair: Quite right too.

Simon Fraser: Linking it to an event of the scale and prestige of the Olympics was a particular thing that could not always be duplicated, but consideration is being given to how we could take that successful brand and use it again.

Q103 Sir John Stanley: Permanent Secretary, I want to raise a policy issue in relation to the security of our diplomatic staff overseas. I want to say that, in this open session, I entirely understand that you will not want to go into any specifics. This arises out of the totally outrageous attack on our ambassador's residence and chancery in Tehran a year ago. This Committee visited there during the last Parliament. I would also like to say that our ambassador and those of his staff who were caught up in that attack conducted themselves with very great courage, in what was a truly dangerous and very frightening situation for them.

I put it to you that the attack on our ambassador's residence and the chancery exposed a particular flaw in our overall concept for providing security for our staff overseas. As we as a Committee have seen, in ambassadors' residences, high commissioners' residences and chanceries around the world our concept is to provide safe areas that are made safe by physical barriers and physical protection. What the assault on the Tehran premises showed is that those physical defences actually afford no protection at all against an attack involving fire and, in particular, smoke. Effectively, our ambassador and their staff were smoked out of their safe area and put into a very dangerous situation, having involuntarily to leave. The broad point I want to put to you is, do you accept that we now have to look at premises by premises around the world, make a judgment not only of the physical assault risk, but the fire plus smoke risk and put appropriate measures in place in such locations?

Simon Fraser: First of all, thank you very much for your kind words about the staff in the embassy in Tehran. I should like to take the opportunity to pay tribute not only to them, but to other staff around the world, because we do have people who face very considerable danger—not only the obvious ones. Of course, there was the attack on our ambassador in Libya, in Benghazi and, of course, there have been incidents in Afghanistan and elsewhere. And in other places where crime is a serious threat to the well-being of staff: in parts of Africa, for example, and Venezuela there are very considerable risks. It is right to take this opportunity, if I may, on the record to pay tribute to them and not only the UK-based staff; the local staff also face those risks.

As you say, security is a huge challenge for us. We have seen it visibly most recently with the unrest that has accompanied the "Innocence of Muslims" film and, of course, the killing of the American ambassador in Libya. We do take it incredibly seriously. We spend about 15% of our budget—of our

running costs, our disposable budget—on security, which is a considerable amount, but we cannot provide absolute guarantee of security to our staff around the world, and we have a deliberate policy, which Matthew could elaborate on of having a risk-management approach rather than a fortress approach to security, because we want our diplomats to be out and about and active. So we are constantly having to evaluate those risks.

We have some fairly sophisticated procedures in place, because unfortunately we have got a lot of experience over the last couple of years, as we have had to close Tehran and Damascus and evacuate Tripoli, Sana'a, Bamako and Abidjan during that period. I fully recognise the point that you make, that we need to be careful. The specific point about smoke and fire is a concerning one.

Of course, it is not just physical defences. We also have defences through intelligence and information and understanding of what is happening in countries, but that does not always work, as Tehran demonstrates.

As for our protection from smoke and fire, I am not sure to what extent it would be possible for us, within any reasonable resource limit, to provide an absolute guarantee, or a stronger guarantee, to our staff against that, but I think it is something that we take into account and we need, possibly, to take further into account. I do not know whether you have any particular plans, or anything to add to that, Matthew.

Matthew Rycroft: Just to add one thing. The threat from civil unrest is one of the four which our staff face, the others being terrorism, crime and espionage, and it is the one that has risen a lot over the last few months. The concept that we secure our staff by is not so much having a secure space in the mission; it is more that, if there is a risk of civil unrest leading to the mission or the residence being overrun, then they should not be there. The concept which we operate by is that we would gradually or if necessary dramatically draw down the numbers of staff present in a city and, if necessary, evacuate before the embassy was overrun. Of course, the Tehran experience which you quote demonstrates it is not always possible to get that right, so of course there have to be other lines of defence, and there are. But our overall operating model is that staff are more important than anything else: they are absolutely our top priority, therefore they should not be present if there is a significant risk of such civil unrest, including a fire or smoke risk.

Q104 Sir John Stanley: One last question, Permanent Secretary, on the financing of necessary security measures. My view, and possibly the Committee's view, is that it is an intolerable situation for you and your management team to have to make a choice between providing adequate security for your staff overseas and spending resources on carrying out your crucial diplomatic work. The question I want to put to you is, if a particular threat situation arises, which may be in a particular location, in several locations in a region or from a particular form of attack, do you have the ability to access the Treasury's contingency fund, as, for example, the MOD does? If

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there is an unexpected conflagration, the MOD has the ability to seek contingency finance. Is that facility available to you? If not, are you pressing for such a facility to be made available to you?

Simon Fraser: That facility is not, in the normal course of events, available to us, Sir John. I am not sure how useful, certainly in the short term, such a facility would be. When these crises happen, they happen very quickly. In those circumstances, there very often isn't time to spend a lot of money to increase your physical defence. That is why, in reacting to a crisis, as Matthew said, we have a policy of seeking to draw down our staff, thereby minimising our risk and ensuring that we are not exposing them to risk. Our motto is "Staff, not stuff."

The choice that you identified between spending money on the security of our staff and doing our diplomatic activity is one that we do not have to make, because I will not make that choice. That is not a choice because we prioritise security. There is risk management, of course, but within that the priority is to ensure adequate and appropriate levels of security in the operation of our posts. We would not ask people to do things beyond what we believe to be a reasonable level of security risk. We work on that very carefully. We devote a lot of time to that, and Ministers and I are very closely involved in decision making on these matters.

Q105 Sir John Stanley: I do understand. Of course, if you have a short-term threat or a short-term incident, you have to handle it almost certainly by evacuation. I can certainly understand that you cannot go to a contingency fund to put arrangements in place, so let us just leave that one aside.

The issue I am putting to you is, say, a new threat. For example, we had serious loss of life in Istanbul when we had basically a car bomb threat. If a new threat faces your particular premises and you decide that, worldwide, you have to produce a counter for it, are you willing to face up to the Treasury and say, "This is an exceptional financial requirement, and we are going to have to do it at several locations, so we want access to the contingency fund. It is not reasonable for us"—as you say, you are prioritising security—"to have to cut back on our normal diplomatic activities to deal with this new threat that has arisen."? Are you prepared to go to the contingency fund?

Simon Fraser: If those circumstances were to arise, we would certainly be prepared to go to the Treasury and make that case.

Iain Walker: Although there is no discrete fund for such an event, we have not recently had a need to call on such funding, but I would add that we do have regular dialogue with the Treasury on a number of matters. We see them almost every week, so we would expect to raise anything like the event you have described in the course of that dialogue to ensure that we could have funding available if that were required. To date, that has not been the case.

Q106 Mr Ainsworth: In the kind of circumstances that Sir John is talking about, which arise quite quickly, surely evacuation, temporary closure or more permanent closure is the response. At what level, and how quickly, are such decisions taken?

Simon Fraser: First, we seek to avoid closure where we can, because when a mission is closed you have to destroy a certain amount of equipment and it is difficult to go back. But, if necessary, we will do it. Those decisions are made very quickly by me and the Foreign Secretary. We have a very well practised process now, but we do not leave it to the last minute. We have a number of posts, for example, that are on permanent watch, so either fortnightly, weekly or, in some cases when things are getting hot, every 48 hours a formal note is put to me seeking permission to keep the post open. So there is a sort of automatic decision-making process going on all the time. That is pretty time-consuming, but it is absolutely necessary. I have to say that we have probably been fortunate in not having suffered more than we have recently. One of our local staff in Kabul was killed in an incident earlier this year, but otherwise we have been relatively fortunate.

Q107 Chair: Mr Fraser, that concludes our questions. Is there any final point you want to make?

Simon Fraser: I don't think so. Thank you very much. I welcome the opportunity to have this exchange, and I hope it is useful to the Committee.

Chair: We value it. Thank you, Mr Rycroft and Mr Walker, too. We much appreciate your taking the time to come along.

Tuesday 18 December 2012

Members present:

Richard Ottaway (Chair)

Mr Bob Ainsworth
Mr John Baron
Sir Menzies Campbell
Mike Gapes

Mark Hendrick
Andrew Rosindell
Sir John Stanley
Rory Stewart

Examination of Witnesses

Witnesses: **Peter Horrocks**, Director, BBC Global News, and **Richard Thomas**, Chief Operating Officer, BBC World Service, gave evidence.

Q108 Chair: I welcome members of the public to this sitting of the Foreign Affairs Committee, the second evidence session of our inquiry into the FCO's performance and finances for the year 2011–12. The focus of the first part of the session is on the World Service and that of the second on the British Council. I welcome our two witnesses from the World Service: Peter Horrocks, the director of BBC Global News, and Richard Thomas, the chief operating officer. Mr Horrocks, do you have any opening remarks?

Peter Horrocks: Briefly, I would characterise the year as one of recovery for the World Service. The previous year had been one of the toughest in our history, with some very substantial cuts and drops in audience. This year we have moved sadly from our former headquarters at Bush house, but happily into our new building at New Broadcasting house. We have been investing in new services; our teams have been dealing as bravely as ever with extraordinary stories, particularly in the Middle East, but in other parts of the world; and our audience levels have started to spring back very well. It has been a year of recovery but there are clearly some significant challenges ahead. That is the context I would like to set quickly.

Q109 Chair: I recognise that it has been a big year, though I have to say that when I went to the new building, I didn't see many long faces. People seemed to like the new building.

Peter Horrocks: There is a spring in the step of those in the new building, definitely.

Q110 Chair: Exactly. As you say, it has been a very big year for Britain. We've had the Olympic games and the jubilee. Has that been an opportunity to build audiences during the year?

Peter Horrocks: It has certainly been an opportunity to reflect Britain's strengths to the world. The World Service and BBC World News, our television arm, did not have all the rights to the actual coverage of the Olympics, so what we did was to build our Olympics and our 2012 year around the theme of London Calling, and that was something our audiences found of real interest. London is the capital city and the place people look to for international leadership, and they were fascinated by all the athletes coming here and the world arriving in London for the jubilee, for all the cultural events and for the Olympics themselves.

We were able to create a real sense of event throughout the course of the whole year. That is something that I think will lead us to put London at the centre of things in the future—for instance, when BBC World News, our television channel, launches in its new studios in Broadcasting house next year, you will see the London skyline as one of the key features of the news studios. That sense of projection of Britain's values has been an important part of this year.

Q111 Chair: I don't know whether you heard the piece on the "Today" programme this morning, but it seems that was done with some success. The public's appreciation of Britain has grown quite considerably as a result.

Peter Horrocks: Absolutely. Our colleagues in the British Council, along with Visit Britain, carried out that survey. It is very encouraging to see that perceptions of the UK seem to have shifted in many countries in a positive direction. We hope that the BBC's coverage helped play some part in that.

Q112 Chair: You did not have the rights to broadcast the Olympics and Paralympics outside the UK. Did that affect you in any way?

Peter Horrocks: Yes, it was a constraint.

Q113 Chair: Was it for financial reasons?

Peter Horrocks: Absolutely. You just need to be aware of the costs of the rights for the American broadcaster NBC, which paid more than \$1 billion simply for the rights for those two weeks of coverage. I am afraid it would soak up the World Service's budget for many years to compete for that kind of television rights. We were able to do a lot in radio, though, and around the television coverage. We were able to be around the event, talking to athletes, officials and, of course, the vast numbers of members of the public from around the world who came to London. That is how we told the story, which was exciting.

Q114 Mr Baron: We have had the diamond jubilee and the London games, which were a tremendous success on all fronts, as we all acknowledge, but has the BBC World Service done any scoping or general work on the issue of soft power beyond those immediate successes, to help it to assess where it should invest for the future to reach more audiences,

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where its influence might best be felt, and so on? These have been tremendous short-term successes, but I am trying to look beyond them, perhaps using them as a springboard to look forward a few years. Have you any early indications or thoughts on this changing world?

Peter Horrocks: In terms of our strategic priorities and the things that we are focusing on, I think the things we have launched this year give you a good indication of the kinds of thing we are interested in. For instance, for the first time, we have been producing television for Russia, delivered via the internet. Our audiences in Russia are now bigger than they were when we only had the last vestiges of radio, after all the jamming and problems that we had in Russia. We have launched new television for Africa, both on BBC World News and distributed through local partners across sub-Saharan Africa. We also recently launched new television programming in Hindi, and we will shortly be launching new programming in Urdu.

That is part of the restorative strategy that we set out as part of dealing with the substantial reductions through the reduction in FCO grant in aid. We are starting to focus on those target markets where there is both a need for BBC news and information and a real opportunity in terms of the connection to Britain. One thing that we looked at as part of the examination that you did of the Commonwealth is that we broadcast to every single Commonwealth country bar one, Samoa. That connection with the UK, which often provides the basis on which the BBC's brand and reputation are understood, is an important part of our consideration. Of course, we are completely editorially independent in our coverage, covering UK policy issues as fearlessly and without favour as we do those of any other country, but understanding our rootedness in the UK is a very important part of our strategy.

Q115 Mr Baron: Obviously, to a certain extent it comes down to resources, but have any lessons been learned, whether within the World Service or indeed within Government, from, for example, cutting back the BBC Arabic service just as the so-called Arab spring was taking off? Do you think any lessons have been learned there?

Peter Horrocks: I do not know in terms of Government. Clearly, the funding responsibility of the World Service is moving in April 2014 to the BBC and the licence fee. There was a small restoration of some of the cut to the Arabic service, not least following interventions by this Committee. It is very striking that the most significant audience increases that we have had in the past two years, and particularly in the past 12 months, have been in the Middle East, for both the Persian service and the Arabic service.

One of the other things that we have also been able to take advantage of is the DFID funding that supports some of the governance programming and debate programmes that we do around the core news coverage of the World Service. The Arabic service is a very important part of that package. We still have further savings to achieve, and you may wish to

discuss that subsequently, but the importance of our services to the Middle East is absolutely central.

Chair: We have more questions on the Arabic service. Mr Baron has leapt ahead to someone else's questions.

Q116 Sir Menzies Campbell: I have a question on the coverage of the summer. May I take it that there was equivalent coverage of the Paralympics as well as the Olympics?

Peter Horrocks: Absolutely. We were fortunate to have marginally better access and rights to that material, so for the Paralympics we were able to do more through the coverage of the sporting events themselves as well as the events around them. What we used it for was really to have a debate with our audiences around the world about the position of disabled people in their communities—there is a very significant difference between perceptions in the UK. In many parts of the world that we were broadcasting to, people could not see or hear anything at all about the Paralympic games, so the BBC was often the only way for them to access them, unlike the Olympics, which were broadcast by national broadcasters around the world.

Q117 Sir Menzies Campbell: That is very encouraging. You have not just a new building, but new technology. Have those who used to operate on the brown carpets with the microphones that came down from the ceiling adjusted to the new technology?

Peter Horrocks: We have had problems with technology in the past, but, touching as much wood as possible, so far, the transition to New Broadcasting house has been going very smoothly. All the BBC's radio services—the World Service and domestic radio as well, so the "Today" programme, "World at One", "PM" and so on—are coming from New Broadcasting house. That has happened completely flawlessly, and I pay tribute to our technical support, who have carried that out brilliantly. So that is working. The big change still to happen, in January through to March, is the move of the major television output from Television Centre—that is, BBC World News and, subsequently, the BBC News channel in the UK. We hope that will go as smoothly.

Q118 Sir Menzies Campbell: Does this new technology allow the World Service either to do things that it could not do before, or to do better things that it was doing before?

Peter Horrocks: Certainly we are able to do things that we were not able to do before.

Q119 Sir Menzies Campbell: Could you give us an example?

Peter Horrocks: The new television services, for instance—we just didn't have proper television facilities in Bush house. Now we are working alongside our UK news colleagues, and the building has been designed to enable us to be able to do that kind of broadcasting. I did not mention that, for instance, we are now broadcasting half an hour every evening in Swahili. That team are able to work with their colleagues who are producing the English Africa

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programme, and a number of people who broadcast in both Swahili and English are able to work on both programmes because they are co-sited. That is the kind of thing that is made possible by the new building and its facilities.

Those facilities have involved significant capital investment, but the marginal cost for using them once they have been installed is relatively small, which is enabling us to do a number of new things. It is also helping much more effective collaboration between the different teams, and we are seeing interesting editorial stories being created by teams that previously were physically very separate because of the architecture of the old-style Bush house, but who are now able, in an open plan environment, to share ideas and build creatively.

Q120 Sir Menzies Campbell: You will remember from previous occasions when you have given evidence that, when these proposals for the BBC were being discussed, there was a certain amount of anxiety on the part of members of the Committee that the particular style and, I suppose, the production values and culture of the World Service ought not to be subsumed into Radio 5 Live. Is that still the case?

Peter Horrocks: So far, I would say that the output is improved and has not deteriorated or been subsumed in that way. I think that the basis on which the World Service works, both within the new building and within the licence fee, is something that is ultimately the responsibility of the BBC Trust, with the Trust setting down what the World Service should be achieving. That will be accomplished over the course of the next year through a public consultation exercise that I understand the BBC Trust is to carry out. That will be very important in giving that clear statement and the level of resource that will be available.

What we have in the new building, and in a more combined culture between the domestic news and international news operations, is absolutely the ability to serve international audiences as well if not better than before, and also to broadcast into the UK and to bring the World Service's international perspective to bear for the benefit of UK audiences. But it does need that clarity about the statement of purpose, which is what I know the BBC Trust intends to do over the course of the next 12 months.

Sir Menzies Campbell: You may be asked some questions about that a little later, so I will not presume to anticipate them.

Q121 Mike Gapes: Mr Horrocks, you said that last year had been a very difficult year. At the beginning of last year, you announced significant reductions in some language services, and some other reductions. Can I ask you whether, as a result of the changes you have made, there are now areas of the world where BBC World Service can no longer be received in any language on a traditional radio?

Peter Horrocks: Yes, there are some parts of the world. I can give you an exhaustive list as a written note.¹

Mike Gapes: That would be very helpful.

Peter Horrocks: For instance, in South America and Central America, World Service in English is not broadcast and there is no other radio distribution there. We stopped our short wave service to North America many years ago. Of course, World Service in English is heard quite widely through rebroadcasting on public radio, and that is the situation in substantial parts of the world. In the main places where audiences in English still listen on short wave, which is largely in Africa and Asia, we are retaining hours of short wave for the peak hours of listening, but we no longer have a comprehensive, 24-hour short wave service around the world. That ended many years ago.

Q122 Mike Gapes: In those areas of the world where people cannot get the World Service on the radio, would you expect them normally to get access through the internet?

Peter Horrocks: Or, more likely, because it is more widely distributed, through BBC World News. BBC World News is the largest channel that the BBC has, with more than 70 million viewers a week, and that is pretty widely distributed. Of course, not everyone has a satellite dish and not everyone has access to the internet, but most of the places where we have stopped our short wave services, largely through cost pressures, are also the places where the audiences had declined to negligible levels. We have had to be very careful about not taking away services where people were still listening in numbers, and that is a difficult balancing act given the financial pressure that we are under.

Q123 Mike Gapes: Are there any parts of Europe where what you have just said also applies?

Peter Horrocks: Absolutely. We have stopped our medium wave service to Europe. Western Europe used to be able to listen to our medium wave service, but that is no longer available. That was one of the painful cuts that we had to make as a result of the reductions that were announced in 2011.

Q124 Mike Gapes: Okay. When you move towards using new technologies and new media, what criteria do you take on board to make that decision and to give up broadcasting in older forms? You have referred to short wave and you have stopped broadcasting in Arabic in short wave, but is there not a danger that you will actually lose access to significant numbers of people? Similarly with medium wave, is there not a danger that you are not getting wide distribution? You may be getting to the elite and perhaps a younger population, but there is a balance, is there not?

Peter Horrocks: There is a balance, yes. It is not true that we have stopped distribution of short wave to Arabic audiences entirely. We are retaining our short wave service, in particular the service that reaches Sudan, where there is a very large audience that is very loyal to the BBC—

Q125 Mike Gapes: That is only for Sudan, though?

Peter Horrocks: It is targeted at Sudan, although it can be heard slightly more widely. However, the medium wave service that services the eastern Mediterranean is being retained, and that can be heard

¹ See Ev 56

in Lebanon, Syria and Egypt, so we still do have the medium wave service.

It is not particularly the case that new media replace traditional radio; it tends to be either television, where we have it available—clearly, in the Arab world, Arabic television is very widely watched; even in relatively poor areas people do see television—or local FM radio. That is very true in Africa, so in places such as Kenya, where people listen on short wave much less than they used to, we are now heard much more both on FM transmitters that we own, or on local broadcasters.

Q126 Mike Gapes: But how do you make that decision? What is driving it? Is it financial, or are you making a decision about the political situation, the level of repression, or the access according to rural/urban balance? What is driving the decision?

Peter Horrocks: The needs of the audience come first—

Q127 Mike Gapes: Your existing audience or your potential audience?

Peter Horrocks: The potential audience, or what the level of media freedom is in that country, or what the requirement is for the BBC to be providing something that the local market cannot provide in terms of quality, range or impartiality. Then we look at how we can get to audiences and what the opportunity is. If audiences are no longer listening on short wave, or those audiences are declining fast, then we think about alternative means of getting to them. If you look, there is a graph in the evidence that we put forward that shows that already the short wave audience is only marginally above the audience for rebroadcasting on FM, and I believe that next year the short wave audience will no longer be the largest element of the World Service. It is still really important to us, but it is declining, irrespective of what we do. The financial pressure then exacerbates that, and sometimes it has pushed us to making changes sooner than might have been ideal; that has certainly happened in India.

Q128 Mike Gapes: Have you got any way of deciding what the cost per minute of broadcasting on different platforms and different methods is, so that there can be a comparison?

Peter Horrocks: Yes, we do.

Q129 Mike Gapes: And do you have that for all countries in the world?²

Peter Horrocks: Yes. The average would be about £1 per user a year. The new television, which I mentioned in a couple of my previous answers, we are estimating at the moment is costing about 50p per user per year. Although television is quite expensive, if it gets to enough people it can be quite cost-effective. We do have those kinds of measures, and we can break it down by language and by service.

Q130 Mike Gapes: Could you give us that information?

Peter Horrocks: I think we could, yes.

Q131 Sir John Stanley: Mr Horrocks, if your director-general came to you tomorrow and said, “As my Christmas present to the World Service, you can have one of the cuts that you have had to make restored to you,” which one would you choose?

Peter Horrocks: You are asking me to play a favourites game among all those different, very valuable services. We are making cuts across a number of areas. It would actually be where we need to invest to hold on to audiences that would be most important for me. I was in Burma in September, and the affection and support for the BBC is enormous there. We would like to be able to complement our existing radio service, the listenership of which is going down, with television for Burma. That would be something I would really like to be able to do.

Q132 Sir John Stanley: That would be your top restoration.

Peter Horrocks: Of the things we have not already announced that we are going to do, yes.

Q133 Sir John Stanley: And could you just explain why you feel that the cuts you have had to make in Burma are particularly damaging and unhelpful to people in Burma?

Peter Horrocks: I think that in a country that is emerging from the level of repression that they have had—it is a bit like after the dissolution of Yugoslavia—there is a real danger of ethnic tension. It is a different kind of issue from the one that existed during the pure repression under the military dictatorship, but the media plays a role in divided societies and the World Service can bring a calming influence and the potential for a more tolerant approach and a mutual understanding. We played that role very significantly in the Great Lakes area of Africa following the Rwandan genocide.

That is a very special role that I believe that we can play, and because of the relationship with the UK and the special strength of the Burmese service over many years, I think it would be a tragedy if we were not able to do that in the ways that the population in Burma are now starting to consume content. When I was in Rangoon recently, I was astonished to see how many satellite dishes there are on all the apartment buildings. It is not a purely backward society, by any means. Fortunately, only in the last few days we announced that BBC World News in English will be available in Burma, and that is good for those who can speak English, but I think it would be a wonderful thing if we were able to deliver the Burmese service to audiences there.

Q134 Chair: Mr Horrocks, I think you may have answered this question to Mr Gapes. The cut in the Arabic service is not financial; it is more technical and a shift of demand. Is that right? To put it another way, if you had had more money, would you have kept the present Arabic service?

Peter Horrocks: The money that was restored was put into the Arabic service and its editorial services. We have distribution cuts in relation to Arabic, and the savings from those are substantially larger than the funding that we had returned to us. The saving that is

² Not Published

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achieved through the loss of Arabic short wave is very significant—almost £5 million a year—and that formed a major part of our plans, so the distribution changes to BBC Arabic are not as severe as they would have been if we had not had that extra money, but we are still making significant changes to the delivery as opposed to the creation of the content in Arabic.

Q135 Chair: So if you had an extra £5 million, you would still keep the short wave?

Peter Horrocks: No, I would not, because people are not listening in those numbers, and that would be £5 million less to spend on Burma, Pakistan or India.

Q136 Mr Ainsworth: You are getting more into partnership working with local broadcasters. I would take it that the driver for that, or at least part of it, is cost. Is it always cheaper, what are you doing to protect against potential reputational damage, and are you not worried about the potential invisibility of the World Service?

Peter Horrocks: We have to be very careful. The BBC has had editorial embarrassments in recent months. How we use information from other parties and the serious consequences when the BBC makes mistakes—no one could be in any doubt of the significant dangers.

Q137 Mr Ainsworth: What has been your biggest embarrassment?

Peter Horrocks: Through partnerships in the World Service? There have not been embarrassments through that route, but I am very alert to that danger. However, in some parts of the world it is right that we work with local partners, because improving the quality of local media—not just the BBC's own broadcasts, but working with local media—can help those countries so that politics is more accountable and can work as an antidote to corruption.

The grant that we have from DFID through BBC Media Action, which used to be the BBC World Service Trust, does some fantastic work. Only in the past 10 days, the BBC World Service, working alongside the national broadcaster in Afghanistan, RTA, has broadcast a series of radio and television discussions about the future of Afghanistan. We were working with the local national broadcaster and with funding that has come through DFID to support those debate programmes. The audience in Afghanistan that has heard BBC content is significantly larger than those who listen only to the BBC World Service, because RTA is their BBC equivalent and it is better distributed than we are. So by working carefully with them and improving their editorial and technical standards, we have had more impact in the past two weeks in Afghanistan than we have had for many years. That is a good example of effective partnership using flexible sources of UK Government funding to support high quality debates that add to the World Service's strength. We have done similar things in Kenya and Bangladesh, and we have other examples that we will be rolling out. Carefully handled partnership can enrich our airwaves and improve the quality of journalism in the countries we are serving.

Q138 Mr Ainsworth: Another area that I would have thought is increasing, again, driven largely by cost, is what we call video reportage. I believe you have trained 200 people in that. What is the risk of reputational damage to professional standards? How big an impact do you think viewers will see through this increased use of video?

Peter Horrocks: The journalists who are shooting these pictures do not have the skills that the best of the BBC's professional news cameramen do, it would be ridiculous to imagine that. For instance, the kind of extraordinary reporting we have seen in recent months from Syria, where cameramen are working with reporters such as Paul Wood and Ian Pannell—that is not what we are talking about. We are talking about the very many journalists we have around the world who may see something or come across something and gather pictures that otherwise would not be available.

I remember an example in Pakistan a little while ago, where there was a Taliban attack on a NATO fuel convoy, and our local reporter happened to have one of those little cameras from the training project that you were referring to. He took some extraordinary pictures of it, and people saw the consequences of the political violence in Pakistan and the dangers posed to the NATO mission. We did not have a professional cameraman there, but the pictures were shown on the "Ten O'Clock News" and on BBC World News. That is a benefit to audiences. We just need to be clear about what that can do compared to the highest quality professional video journalism that we do with the crafted reports.

Q139 Mr Ainsworth: You see this as all opportunity, rather than risk.

Peter Horrocks: I do largely. There are some risks to the journalists involved—a radio journalist can go around quite quietly, just keeping notes or maybe recording some sound, but as soon as you have a camera, no matter how small, you become a target. Our locally hired journalists are often more of a target than a European filmmaker or cameraman who may be going into a situation, so they are exposed to risks. We have to be careful about quality, but if someone gives me a picture of something that BBC audiences otherwise would not be able to see, I think that that is a plus, rather than a minus.

Q140 Mr Ainsworth: You said that you hit five of your performance targets—there are seven at the moment—and you partially made another. Do they need reviewing, and are they skewed at the moment towards change and innovation, rather than the maintenance of the necessary core services—the knitting of the BBC World Service, if you like?

Peter Horrocks: There can be a danger that what you measure drives behaviour, and some of the new things happen to be slightly easier to measure. For instance, use of mobile and online services is easier to measure than the consumption of radio, which involves doing surveys that are quite expensive and difficult to carry out. That is something that we need to guard against. The strength of our traditional delivery and the size of those audiences on radio are still absolutely vital to

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us. They are key to us and they are the mainstay of what we do, so we have to attach equal weight to the new and the old.

Q141 Mr Ainsworth: Do you need to change the targets, then?

Peter Horrocks: We always need to review targets. Some possibly need to be more ambitious. We have an audience target of 250 million, which has been set for many years. We got near it, it dipped, it climbed back up and it is within sight now. If we achieved that in the future, I am sure that we would want to set a new target.

Q142 Mr Baron: I would like you to look out to the spring of 2014. I think it is fair to say that the Committee has concerns about the transfer from grant in aid to licence fee that will take place then. Part of that process will involve a transition from the Framework Agreement to the operating licence issued by the BBC Trust. That will set out budgets, mission, parameters and that sort of stuff, yet it still has not been issued by the BBC Trust. Is that of concern to you, given that presumably there has to be a bit of planning with regards to the spring of 2014? Perhaps we are not asking too much that some wise heads have looked that far ahead.

Peter Horrocks: I am looking forward to seeing it. The BBC Trust, and in particular the Chairman of the BBC, Lord Patten, is making a commitment. There was a wonderful service of thanksgiving for the World Service, which was held last week at St Martin-in-the-Fields, which the Archbishop of Canterbury attended and at which Lord Patten spoke. He talked about how the BBC Trust is “seized of the importance of discharging” its task—the BBC’s global purpose of “bringing the United Kingdom to the world and the world to the United Kingdom”—which it is approaching with “wholehearted commitment”.

That overall commitment to the importance of the World Service and to sustaining the funding of the World Service at the same or above the level that will end when Foreign Office funding comes to an end is clear and clearly on the record from the BBC Trust. I look forward in the next year to the clarification of exactly the things you referred to: the nature of the mission and—most importantly for me—retaining the ethos. Someone asked whether we might be subsumed. I am confident that we can offer hugely to audiences in the UK, and that that will not happen. However, the most important protection against that will be the way in which the BBC Trust defines that mission and ethos and then requires members of BBC management such as myself to deliver it.

I do not have a concern about the fundamental support for the World Service, but there should be clarification of what it is about, what our priorities should be—the kinds of questions that you have been asking—and whether that is going to change as a result of the views of licence fee payers. We have started to do some research on that and I could talk about that if you would like. Ultimately, that will be something for the BBC Trust to determine and for people such as myself to respond to.

Q143 Mr Baron: I will come on to funding in a second. Can I come back to the clarification point? I do not doubt the support of the BBC Trust for the World Service, but presumably there has to be some sort of clear indication with regards to brief, mission and parameters. All that needs to be clarified a bit before spring of 2014, because presumably you are making financial decisions, or certainly plans, now for that period. Or are you suggesting that there will be hardly any difference in the brief? This sort of approach suggests that you are not expecting much change from the Trust by way of definitions and missions from where you are at the moment. I mean, how can you say that with certainty, and what financial plans are you putting in place if there are going to be differences?

Peter Horrocks: The planning that we have done goes into the licence fee period. That is why I say we have confidence about that overall funding. It still has to be precisely set out in the new operating licence but we have planning assumptions which we have been working to which are agreed with the BBC Executive and the BBC Trust. We do have visibility beyond April 2014 in terms of the funding. We have operated on the basis of an agreement between the BBC and the Foreign Office in the past which sets out the basis on which we are operating.

Q144 Mr Baron: Is there any sort of timetable, any sort of timeline as to when the Trust may come out with this operating licence? I am sure you are in close communication with them, but there may be some surprises in there which you perhaps might want to know about sooner rather than later.

Peter Horrocks: I understand that the public consultation will happen either in the late summer or the autumn. We will be working with the BBC Trust putting forward proposals for the wording to deal with the kinds of questions that you have asked. There will be a public consultation to which there will be an opportunity for anyone with an interest in the World Service to contribute.

Q145 Mr Baron: Can I move us quickly on to funding? There is a concern, which was intimated in your previous answer, that you expect the funding to be at least at the level at which the grant in aid has left off and so forth. A number of us in the Committee, if not all of us, have a concern, however, that when the funding starts coming from the licence fee, you will be up against all sorts of popular programmes. Short of a personal appearance on something like “Strictly Come Dancing”, for example—you will be in competition with programmes like that. You are as confident as you can be, are you, that funding for the World Service will not suffer because you are in competition with some very popular programmes out there?

Peter Horrocks: When the BBC Trust sets the amount of money for any of our services, whether it is Radio 3 or local radio, the BBC management has to be able to report back on that and to satisfy the BBC Trust that it has been spent according to that determination. The way that that is set down by the Trust will be critical. In terms of the editorial services that we

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deliver, those are clearly defined and it is quite easy to say how the money is being spent on them. The area that needs a little bit more exploration and work is how, when our technology, or our finances, or other kinds of support areas, or our marketing, are supported by an overall licence fee, the bulk of which is focused on domestic delivery, we make sure that those shared teams have also got the resource and the focus to ensure the rather different kind of delivery that the World Service needs. We don't want things that are too complicated because obviously we want to create efficiencies in doing this, but it is important that the international requirements are properly thought about by the BBC, alongside those domestic ones, so that we have the ability to create great programmes but tell our audiences about them and to pay for the distribution or whatever it might be.

Q146 Mr Baron: Finally, you won't find anyone who disagrees with you about this on this Committee, but what assurances have you been given? Cast-iron guarantees are not possible, but what assurances have you been given? What you say are fine words, but at the end of the day selling the concept of the BBC World Service to the general populace who pay their licence fee will be harder than selling the support for very popular programmes. Have you been given any assurances from the BBC Trust, or anyone else for that matter, about protecting the World Service from a funding point of view?

Peter Horrocks: The assurances are to do with that overall level of funding and the quote that I gave you from Lord Patten. Personally, I think that the BBC should be confident about its international role. Of course there will be a minority of the population who probably might have questions about the licence fee being used to pay for something that they do not consume directly, but the initial research that we have done shows that there is widespread support for the World Service. Many people actually believe that it is currently funded by the licence fee and they don't understand these distinctions, but for those who do understand them, the initial research that we have done shows that they are more than willing to support that. I believe that in the future, the global role for the BBC in the World Service but beyond that, the educational content that the BBC produces and its ability to do good in the world, ought to be even more important. The World Service becoming part of the BBC and part of the licence fee is part of potentially strengthening the argument for a proper public service BBC. That is the discussion that we will be having within the BBC and with the BBC Trust over the years ahead.

Q147 Chair: You talk about Lord Patten's wholehearted support. Have you had a chance to discuss this with the DG designate, Lord Hall?

Peter Horrocks: I have not had an in-depth conversation with him. The very day that his appointment was announced, however, he toured round the newsroom and then I took him to the fifth floor, which is the place that all the language services of the World Service occupy. He chatted to the Urdu team, the Burmese team and the Somali team and he

was clearly enthused by the range of international staff that are within the World Service. I took that as a positive sign.

Q148 Chair: Keep him at it. Are there any forms of commercial activity that you would see as unacceptable for the World Service?

Peter Horrocks: That is a very interesting question. Clearly World Service English in the UK would never take adverts. That would be an absolute no-go, unless the BBC as a whole changed its funding model, but that would not happen.

The indications that we have from the three pilots that we have done so far on taking adverts on three of our language service websites show that audiences do not react in a hostile fashion to it. There were one or two complaints, but it was very small numbers. I believe that there is public support in the UK for us to build on the public funding where we can with commercial income, as long as it does not affect the editorial integrity of what the World Service does—that is non-negotiable. We need to be able to leverage that public funding as far as we can. It will never be a huge amount of money, because the places we serve by definition tend to be places where commercial media is not well established, but we have some targets, which I believe you are aware of, to increase that money where we can make money, and we are on our way to achieving those targets.

Richard Thomas: We should also say that the BBC has quite stringent guidelines about commercial income and about what we are allowed to do and what we are not allowed to do.

Q149 Chair: But outside the UK they are fairly flexible.

Peter Horrocks: Yes. We take adverts for BBC World News and the BBC website in English. For appropriate categories of content, we also have sponsors for non-news programming.

Q150 Chair: I have seen them, and I did not feel offended, I must say. How are the staff adapting to this? Is it unreasonable to ask them to be more commercially-minded in their outlook?

Peter Horrocks: The actual commercial activity is carried out by separate teams, so editorial teams do not go around the world selling the website or selling our radio services. As part of making our content more attractive, we ask them to think about ideas which will help that commercial process, but they are editorial ideas that have integrity and are separate from any direct commercial influence. It is about saying, "You are really good journalists, but how can we compete in this market and ensure that our content is really strong?" The advertising team will come along and sell adverts against that, but there is separation between those teams.

Q151 Rory Stewart: I still do not fully understand the idea. What is the idea? Is it that, instead of the old-fashioned way of simply determining what the most important stories are, journalists will now try to pick stories that will bring in more listeners and be more

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appealing to advertisers so that you can make more money out of advertising?

Peter Horrocks: To make that content more appealing and to focus on audiences, yes. It can sometimes be easy just to think about your own interests as an editor, but you need to think about your audience and we encourage all staff to do that. There is a particular extra emphasis when part of what we are trying to do is create some commercial income. It is fundamentally about thinking about audiences and editorial activity.

Q152 Rory Stewart: And how does that avoid the danger that Sir Menzies pointed out? The incentive then is presumably to appeal to a broader and broader mass audience and that would carry challenges, would it not?

Peter Horrocks: It could do, of course it could. That is where the BBC's editorial values and the integrity of our journalism and the significance tests that we apply to the stories that we do come in. BBC World News has taken adverts around the world for more than 20 years and is an absolutely thorough news service that is founded in the BBC's values and is reported by exactly the same journalists who report for the 10 o'clock news, the "Today" programme or World Service English.

Q153 Rory Stewart: Could you give us a concrete example of a journalist producing a story idea that was more appealing to advertisers and in doing so changing the content of a particular transmission?

Peter Horrocks: It would not be about directly changing it. It would be about saying, "Here is an editorial proposal that we believe should be invested in, which may then also subsequently be of interest to advertisers." For instance, there is the knowledge economy around the world and the way that universities are increasingly seeing opportunities in selling learning. That is a trend that we are seeing in many of the places that we report from. We have created supplements on our website—bbc.com—based around the knowledge economy, so they are special supplements that are created editorially. Subsequently, the advertising team take those to potential advertisers and say, "Here's some really strong BBC content that might be relevant to you", but they are not directly to do with stories being commissioned that are to do with the advertisers at all; it is the other way round. That was something created by a team thinking, "This is strong editorially, but perhaps it also has some commercial potential."

Q154 Rory Stewart: What are your forecasts for possible future pension liabilities?

Peter Horrocks: We have the pension figures—the contributions we are making to the BBC pension deficit—set for the next few years. Richard might want to say a few words.

Richard Thomas: The World Service has got to pay, in the report year, about an extra £11 million into the pension fund for the deficit. The payments coming up are between £6 million and £8 million. They are not the same each year. The next pension revaluation is dated for March next year. Obviously, the BBC will have to recalibrate its pension arrangements after that.

Q155 Rory Stewart: Am I right in saying that pension costs have risen from £10.6 million in 2010–11 to £19.7 million in 2011–12, which is already an increase of 86%. Can you give us an idea of what sort of increase you are now expecting between now and, for example, 2015?

Richard Thomas: The increase in that year was actually a double whammy, because it took so long to negotiate with the pension trustees. The pension payments increase, which in the accounts for that year was about £12 million, will be less in the current year and the year after, so it will be pretty much £6 million or £7 million. That number will actually go down and then it will go up again a little bit, because the pension payments are not the same in every year.

Q156 Rory Stewart: By 2015, are you going to be spending a considerably increased proportion of your budget annually on pensions?

Richard Thomas: No, a bit less than in those accounts, because that year we had a catch-up payment for the year before.

Q157 Rory Stewart: Going forward, is that going to be a problem? If people try to control your budget, will you find pensions occupying a larger and larger proportion of your budget, thus putting pressure on your ability to fund other services?

Peter Horrocks: One of the differences under licence fee funding is that this will be dealt with on a pan-BBC basis. The figures that we have just quoted were assessed on the BBC World Service's liabilities. Because there was a larger, substantial staff previously, proportionately we are paying quite a large amount. Now we will be treated as part of the BBC Group. However, if the pension deficit overall gets worse, everyone in the BBC will need to be contributing to making good that deficit according to the law. There are some swings and roundabouts, and the extent of the further contribution that we might need to make will depend on the revaluation that Richard Thomas referred to.

Q158 Rory Stewart: Finally, presumably the future of the BBC World Service is going to depend on somebody defending you strongly on the board. We had this big push for an international trustee. The Committee also examined the idea of you or your successor being on the board. That has been rejected, so it is now run by Helen Boaden. What evidence can you give the Committee of her ability to defend the interests of the World Service among all of her other enormous responsibilities? Is there anything that you have seen in the last few months that shows her fighting your corner, which can give us confidence that this governance structure is the correct one to ensure that the World Service is prioritised and protected?

Peter Horrocks: At the moment, because the World Service still has separate funding, that has not been required in quite the way that you described it. Clearly, it will be important in future that that international interest is properly represented, and there are appropriate mechanisms for that. I do not think that it has to be through the executive board itself,

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which is a deliberately streamlined group of people, along with non-executive directors, who can take decisions to run the BBC. It is important for that international dimension—the World Service element—to be able to have proper accountability, and in particular to be able to ensure the support of the technology and other services that we need, which will be shared across the BBC. We will no longer be running everything within the World Service.

We will no longer have a single budget in quite the same way; some of those things will be shared across the organisation.

For the World Service to be effective, the importance of that international mission and the ability of the World Service and the people leading the World Service to get support from the rest of the organisation, are clearly things that, as the mechanisms are discussed over the next year or so, need to be in place to ensure that the World Service has the support it needs to be successful.

Q159 Mark Hendrick: Freedom House and The Economist Intelligence Unit have found evidence of a decline in media freedoms worldwide. BBC World Service, in a memorandum published in October, describes “deliberate jamming” of BBC services around the world. Where do you think that the best chances of finding a solution to jamming or censoring of broadcasts lie? Is it in international pressure being brought to bear on countries, or do you see technological solutions as the way forward?

Peter Horrocks: Thank you very much for bringing that issue up; it is a severe one, and particularly acute in Iran. As a brief aside, it is not just the jamming that is a particular problem in Iran; only today I learnt of further efforts made by the Iranians to intimidate the families of BBC Persian television staff members. The families of half a dozen of our staff in London have been intimidated by security officials in Iran, receiving threats that their family members should stop working for BBC Persian. That was a problem in the past and it has recently come back.

As you say, jamming has been really intense, and not only of BBC Persian. BBC World News in Europe was also affected by the jamming, so widespread was it. The BBC held a conference on this issue in New Broadcasting house recently, and the Chair of this Committee kindly attended and spoke about its political importance. The political pressure needs to be maintained on all the countries that are involved in this. The Foreign Office is being helpful with that, working along with Ofcom and European communications regulators to put on pressure. In fact, the Iranians have recently stopped it, possibly because of measures taken by one of the satellite operators responding more to regulatory concerns in France, where that operator is based, and also because of some sanctions provisions made against the Iranians. Those measures may be necessary to put pressure on. In the long run—in five to ten years’ time—technical solutions may provide the answer, but in the interim we need to maintain pressure on the countries, particularly Iran, that most indulge in this.

Q160 Mark Hendrick: Are you investing in technical solutions at the moment?

Peter Horrocks: They are largely being done through the commercial companies that provide the satellite services. They realise that having their satellites vulnerable to interference is bad for their business, so they need to start the work to make their satellites jamming-proof in order to protect their commercial revenues. They are doing that work. We have convened these competitor organisations, encouraged them and made it clear that the world is looking to them to come up with some solutions, in the same way as they are looking at the international regulators to put maximum pressure on Iran.

Q161 Mark Hendrick: Does that include internet services as well?

Peter Horrocks: That is slightly separate issue as the internet works in a different way from satellites; there is only a small number of satellite operators and a small number of ways in which you can stop the signals. The internet works in a much more diffused way.

Q162 Mark Hendrick: You mentioned Iran. Are there any other countries that you would like to add to a list of shame, if I can call it that?

Peter Horrocks: Well, Syria has been involved in it, but it is not clear whether that is the Syrian Government acting on its own account, as it were, or whether that is because of its relationship with Iran. It has also been reported that there has been some jamming coming from Gulf countries, including Bahrain.

Q163 Sir John Stanley: Mr Horrocks, you have just touched on the issue I wanted to raise. In your answer to Bob Ainsworth, you referred to the physical risks that your locally employed BBC world journalists face, particularly in areas of conflict. I want to explore the political risks that those journalists and their families may face. Apart from Iran, could you tell us in which countries worldwide do the BBC’s staff—particularly locally employed staff—face threats, intimidation and persecution attempts to try to prevent them from fulfilling their remit of freedom of expression? Which are the offending countries?

Peter Horrocks: Not all of these are necessarily actions by the Governments concerned; it can be other groups in those countries. However, without going into all the details—I would not want to go into all the details, because there are continuing security situations, which I would not want to identify, where we have had significant problems this year—there have been particular problems this year in Somalia and Syria and in a number of central Asian countries. In China, the BBC Chinese service is not able to operate at all, because we are never granted visas for our BBC Chinese teams. The BBC News English teams are able to operate there, but the BBC Mandarin service is not able to operate in China, for instance. That is not about physical intimidation; it is just about an inability to be able to report. However, Somalia, Syria and parts of central Asia have been the most problematic in the past year.

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Q164 Sir John Stanley: In terms of physical intimidation, suppose that one of your journalists wanted to cover a peaceful demonstration in Moscow against the Putin regime, are they likely to face threats from the Russian intelligence service?

Peter Horrocks: Not normally physical threats. There is a background climate of concern there, but the protection that the BBC can provide in terms of supporting its journalists, certainly compared with independent local journalists, means that people look to the BBC as a relatively protected space. I was in Moscow earlier in the year and I asked my teams whether they felt able to report freely and openly, and they do. They are aware that there is the potential, but as things stands, there have not been those direct threats recently.

Q165 Sir John Stanley: Lastly, is there anything further that you would like to see the British Government doing to give your local journalists a greater degree of support and protection in discharging their freedom of expression responsibilities to the World Service?

Peter Horrocks: No, I think the Foreign Office is extremely supportive in all the issues. Sometimes we need to operate separately from the Foreign Office, for obvious reasons—it is not necessarily always helpful for the British Government to be representing our interests—but where we do ask the Foreign Office to be supportive, it is extremely helpful to us.

Q166 Mike Gapes: You referred to the BBC Chinese service not being able to be broadcast in China, but the English language service can be. Is that via radio, as opposed to the internet? Is there a specific problem with the internet? Is the current situation in China easier or more difficult than it was? I know that there was a slight relaxation around the previous Olympic games and a clampdown afterwards, but, given the process of political change in China and an increase in assertiveness in their foreign policy, I am interested in whether it is more difficult now in China to get things through, both by radio and by the internet.

Peter Horrocks: The difficulties are at both ends of the chain. The difficulty that I was referring to was

on the news gathering and reporting side so the BBC Mandarin team cannot report from China. With the recent political changes, we were able to send in someone from BBC Vietnamese, interestingly enough, but not from BBC Chinese. The Vietnamese helped us to report from there for that part of the world.

In our broadcasting to China, we no longer have Mandarin radio. It was so jammed so effectively and the listening to shortwave in that country was so small that we stopped those services. The internet is selectively blocked through the filtering of the so-called great firewall of China. I think our content does get through more effectively now, because of social media and the smartness of our users, and that is helping the BBC to be able to get more information in. BBC World News television, which is available in a number of hotels and has distribution in western-oriented parts of China, is still selectively censored. Someone flicks the switch the moment we mention anything about a human rights issue in China. We decided that it was best to keep the service going and to make it available, even though we know that it is regularly censored, but it becomes quite farcical when China is a significant part of the news and large elements of our news bulletins are blanked out by the Chinese censors.

Q167 Mike Gapes: Is this a specific problem that the BBC has, or do they behave the same way towards other international broadcasters?

Peter Horrocks: They do behave like that towards other broadcasters, but they reserve a special place in their hearts for us.

Chair: Mr Horrocks and Mr Thomas, thank you very much. We have been supporters of yours in the past. We remain supporters of yours. We are quite prepared to offer criticism, but it is always constructive. As you make the transition and as it comes closer and closer, please do not hesitate to refer to us anything that you think we ought to be looking at, as we are as keen as you are that this transition goes through smoothly.

Peter Horrocks: Thank you for your support, Chairman, and for the Committee's support as well.

Examination of Witnesses

Witnesses: **Professor Pamela Gillies**, Member, Board of Trustees, British Council, and **Martin Davidson**, CMG, Chief Executive, British Council, gave evidence.

Q168 Chair: I am pleased to welcome Professor Pamela Gillies, a member of the board of trustees of the British Council, and Martin Davidson, its chief executive, whom we know well. Would you like to make an opening statement?

Professor Gillies: Yes. The chair of the British Council, Sir Vernon Ellis, would like me to make a few comments, if that is acceptable.

I am Pamela Gillies; I have been a trustee at the British Council for four years and I am also the vice-chancellor of Glasgow Caledonian university. Today, I am representing Sir Vernon Ellis who is, as you are aware, in the United States. It is a great pleasure for me to be able to do so.

You know us quite well as an organisation. We are focused on supporting the UK's prosperity, security and international standing. We were gratified to note that research undertaken by Ipsos MORI and YouGov confirmed that our cultural relations activities grow trust, and where there is trust, organisations and Governments are more likely to do business with the United Kingdom. Our partnership with the UK Government and the grant we receive are critical both to our ability to deliver trust and also to deliver trusting relationships for the UK, and to our ability to attract and work with multinational companies such as Microsoft and HSBC.

We are very proud of our capacity to grow our organisation and to reduce dependence on our grant. However—before you get too excited—our grant is essential, not just because of its ability to fund programmes but because of its link to the FCO and our activity to inform and deliver the UK's foreign policy agenda. Only the margin generated from our income-growing activities, such as exams and the teaching of English, can contribute to cover costs to replace reductions in grant. It would require entrepreneurial spurts in activity of 10 times the amount of any reduction to make up the shortfall. We are being more efficient and effective in difficult economic times, as I am sure you would expect.

What have been the highlights of the past year? From February to November this year the British Council managed the biggest ever festival of UK arts and culture in China to capitalise on increased levels of awareness of the UK, as a result of the fabulous seed-pod building at the Shanghai expo. We made a substantial contribution to the success of the 2012 Cultural Olympiad, and the International Inspiration programme that we run with UNICEF and UK Sport has touched the lives of more than 12 million children through the power of sport. We are using our experience to contribute to making the Commonwealth games in Glasgow in 2014 a success and to winning the Youth Olympics for Britain in 2018.

My personal highlight is really recognising the lifeline and the educational opportunity that the British Council offers to ordinary folk in difficult circumstances around the world. I was personally very touched when, during the monsoon, I came across a huge queue outside our library in Pune—young and

old alike, laughing and joking in the rain, desperate to get into our safe haven, a haven of excitement and learning, as well as a haven of security—and secondly, opening our new English language teaching centre in Bangkok in a shopping mall. Now that is our entrepreneurial spirit in action, underpinning our determination to reach out for Britain, providing opportunities for every willing heart. Thank you very much for allowing me to make my statement.

Q169 Chair: Professor Gillies, thank you very much. Mr Davidson, as Professor Gillies said, 2012 has been a good year and it is important that we capitalise on it and sustain the momentum. You have set that out in some detail in your written evidence, for which I thank you very much. How are you going to keep it going?

Martin Davidson: 2012 has been an exceptional year. We produced some data only this morning about how a number of countries have responded to both the Olympics and the jubilee. The data showed that 80% of the people questioned in India had an improved perception of the UK: they thought that we were more open, that life was more fun here and that the way in which we could organise was exceptional, but, interestingly, their willingness to study here, visit here and do business here was also improved as a result. One of the big challenges for us over the next three or four years is how we capitalise on that and keep it going. For all countries that have been involved in the Olympics, one of the key problems has been how to keep that positive response going in the future. That is important for some of the things that we are involved in. In particular, in Brazil, we have launched a four-year programme bridging between London and Rio to build a stronger arts and cultural relationship through our programmes.

We have the Qatar UK year of culture for 2013, and I was in Qatar last week talking to people there about how we can take that forward. We have agreement with Russia on a UK-Russia year of culture for 2014. There are also three very substantial anniversaries coming up, which I think are going to be important. One is the anniversary of Magna Carta in 2015, which gives us an opportunity to say something quite special about the UK and the UK's role in building liberal societies around the world. There is the 400th anniversary of Shakespeare's death in 2016, and the 450th anniversary of his birth in 2014, so we are thinking about how we can bridge those two years. Also in 2014 is the anniversary of the outbreak of the first world war—perhaps not something to be celebrated, but certainly something to be noted. We are working with a number of people here in the UK to think about how we can make the most out of those sorts of anniversaries. Of course, as Professor Gillies has also said, there are the Commonwealth games in 2014. All of these events give us an opportunity to build on the work we have already done this year around the Olympics.

Q170 Rory Stewart: You have described very well the funding challenges in your spending review. To what extent did the Chancellor's autumn statement introduce more pressures on your budget?

Martin Davidson: We are obviously in discussion with the Foreign Office at the moment to understand exactly how this is going to be implemented. Our understanding of the Chancellor's announcement of a 1% reduction in the coming year and 2% in the subsequent year is that that will be based on non-ODA activity—as the Committee is aware, a substantial proportion of our grant is now ODA denominated. We also expect that to be implemented proportionately. We recognise that we will have to take a proportion of the cut, but we would expect it to be of the same sort of order as that of the Foreign Office.

More concerning, perhaps, is the position moving into a post-2015 spending settlement. Again, it is not completely clear at the moment what the position will be, but our understanding is that it is likely that that will be a one-year settlement on broadly a reduction commensurate with the four-year spending review period. If that is the case then that would be a further £8 million cut in the British Council's grant in aid. As Professor Gillies said, the thing that concerns us is the continuing reduction of the total turnover of the organisation. By 2014–15 about 15% of our total income will be from the grant. Maintaining that connection between us and the public service and the foreign policy agenda of this country remains vitally important. We are concerned that if the grant continues to decline as a proportion, that becomes increasingly difficult to maintain.

Q171 Rory Stewart: Are you able within the ODA envelope to increase significantly the amount of ODA-related activity, and in doing so draw down the very substantial funds available to DFID?

Martin Davidson: At the moment our understanding is that the proportion of our grant which is ODA denominated is rising. I think there is more that we can do, but the net impact of that shift is that a significant proportion of the reductions in grant is now falling on our work in the developed world. In effect, the grant going into Europe and the developed parts of east Asia is reducing by 55% over the four-year period. That is a significant challenge to our ability to maintain an effective programme of work in some quite important countries for us. This is not simply countries which are marginal: our work in places like Japan or Korea, and parts of western Europe such as France and Germany, is under huge pressure because of this reduction.

Q172 Rory Stewart: You set very challenging targets for contracts and partnerships, which you missed. You now have targets coming forward on 2015, which are clearly very important to your bottom line. What will happen if you miss those, too?

Martin Davidson: The challenge for us is obviously that the very difficult economic environment, most particularly in western Europe, allied with the rise in the value of the pound against the euro, has made a significant difference to the redeployable resource that we have available to us. At the end of the day, we will

not be able to spend money that we are unable to collect. A significant part of the strategy that we have put in place is that we should be able to draw a dividend from our income-generating activity, which we are able to apply to what previously would have been funded through the Government grant. At the moment we are taking something like £3 million a year directly into that; we expect that to rise to £8 million a year by the end of the period. In addition we are investing up to £9 million a year on the development of new programmes, again funded by that. The first call on any shortfall will be not being able to make that investment in the growth of the organisation.

Q173 Rory Stewart: What lessons have you learnt from losing the Chevening contracts?

Martin Davidson: I think there are two important lessons. One has been that we were positing a level of activity which, in the end, the Foreign Office did not want to buy. Some of the work we were doing in maintaining connections with the Chevening scholars, in a very hands-on process of selection and preparing students for study in the UK, was not something which the client, in that case, wanted to pay for, so we were actually putting in place a bid for those scholarships which was significantly higher than the competition. We have to make sure that we are clear about what the client wishes to purchase and make sure that we deliver that. However, I will say that for us as an organisation, the value of a programme like Chevening is our ability to continue to exploit and exercise those relationships built for the good of the country for the future. That remains a very important part of it. That is why we do these programmes: not because of the income they generate, but because they build the purpose of the organisation.

Q174 Rory Stewart: How would you describe the loss to HMG of the loss of that connection between the Foreign Office and the British Council on Chevening? What has been the effect on Britain's overseas position?

Martin Davidson: I think it is probably a little too early to say. I am clear that the loss to the British Council is that we no longer have a connection with a very important group of people, who, if they are well selected, are going to be important for the future. That is a loss in the effectiveness of the organisation.

Professor Gillies: When I am travelling for the British Council, one of the first questions that colleagues ask me, from Algeria to India, is: "Why aren't you now managing the Chevening scholarships, because we reckon the British Council is a mark of quality?" I get that question everywhere I go.

Q175 Rory Stewart: There seems to have been a rather significant rise in higher wage earners. We have heard reference to 78 individuals earning £60,000 or more against 63 the previous year, and a slight increase in the number of staff earning more than £110,000 a year. Can you explain the background to that?

Martin Davidson: Indeed. It is part of a conscious strategy by the organisation. Traditionally, we have

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had a structure and approach that is about an end-to-end delivery of our programmes. That means that we employ quite large numbers of people at relatively low pay. As you know, we have significantly reduced the total number of staff we employ, but that also means that we have to up the professionalism of the individuals we do employ. That means having people who have stronger professional qualifications and who are accepted as expert in their particular field, and it does mean that we are employing people at higher wages. I believe that the overall balance is that the organisation's total wage bill is significantly lower, but we have fewer people being paid more.

I will give you two examples. Over the last year, we have brought in a new director of education and society, Dr Jo Beall, who is a former deputy vice-chancellor of the university of Cape Town. I believe that she has transformed the way in which we are able to respond to the expectations of higher education organisations in this country. Graham Sheffield, who is our new director of arts, was previously the artistic director at the Barbican, and he is clearly a substantial and significant player in the arts field. Again, I think that he has changed the way in which our arts work is perceived, and, indeed, the quality of the arts work that we are now able to deliver overseas.

Q176 Mr Baron: You suggested earlier that the message from your survey, or certainly one of the key messages, was that trust leads to better business or business opportunities. Most people would have accepted that, with or without the survey. Do I sense that you are trying to get out more of a message to the general public, perhaps to us, and to the Government, if they are listening? In the written evidence you submitted, you start referring to the fact that other countries—China and Turkey—are increasing their spending on so-called soft or smart power. Is there more of a message that you want to give us, but you are just being a bit too polite?

Professor Gillies: We are very polite, but we are not as stuffy as we used to be at the British Council, I can tell you! It's really important. We are valued and recognised overseas in a way that we are not at home. We would probably both agree that we need to tell our story better at home—what it means to have soft power influence; what it means to work with Microsoft to deliver digital hubs in Africa; offering opportunity to young people who really thought that they would be for ever at the bottom of the heap. It is amazing how well we are received overseas, and it really does get you—it makes you feel quite emotional.

We need to capture those narratives and deliver them in a strong way here at home. I think that we need to convince you that the partnerships we have with some of these multinational companies, or with other public service organisations, are genuinely delivering tremendous amounts, not just in cash. We set Martin terribly tough targets last year. As Mr Stewart said, his organisation didn't quite reach all those targets, but my goodness, we are ambitious for the organisation. Martin increased the turnover by £46 million in a really tough environment. So we are ambitious and

we know where we need to go, but we probably need to tell our story better at home.

Q177 Mr Baron: The majority of the Committee accept the importance of soft power, and a number of us are very critical of Government cutbacks in soft power funding—whether at the British Council or the BBC World Service. May I suggest that you need to be a little more robust in getting the message across here in the UK? In your report, you suggest that, on the back of the 2012 Olympics, we are now near the top—if not at the top—of the soft power rankings however you determine these things. What would be your overriding message to the Government now?

Martin Davidson: My message would be that we must not undervalue soft power. The Olympics have given us an extraordinary boost; they have changed people's expectations of this country overseas, but that will fade extraordinarily quickly. It is not something that you can rely upon; therefore, you need to continue to invest.

The link between this organisation, the British Council, and the UK's foreign policy objectives is absolutely critical. If we have one concern, it is that a continuing reduction in our grant-in-aid is going to make that connection extremely difficult to maintain. We talk in terms of becoming an entrepreneurial public service, and that is what we believe we are. We recognise under any likely future that the British Government will not want to fund an organisation like ours at something like £1 billion, which is where we expect to be in two or three years' time. But we must maintain that connection; otherwise, we are simply another commercial organisation and not delivering the soft power of this country. That would be a tragedy not just for us as an organisation, but for the UK.

Q178 Mike Gapes: May I take you up directly on that point? Your charter says that your purpose is to advance any purpose which is exclusively charitable. Is there not a contradiction between that statement and the fact that you are increasingly reliant on, as you just said, an "entrepreneurial" public sector approach? That is not exclusively charitable. In a sense, I know that you cannot stay in the circus unless you can ride two horses, but nevertheless the reality is that your charter, the basis on which you are established and the financial position that you have been put into by the Government, are contradictory.

Martin Davidson: I do not think that we believe that they are. Certainly, the point about being an entrepreneurial public service, delivering the charitable purpose of the organisation, requires us constantly to ask the question, "Should we take this particular opportunity to earn income or, in doing so, would that contradict the charitable purpose of the organisation?" There are many charities that earn significant sums of income and apply that. Some do that through a trading arm—running shops or whatever—which is clearly not a charitable purpose, but then they take the profit from that and apply it to their charitable purpose. That is not an approach that we have decided to take.

We believe that, for example, delivering our English language work is directly in the core purpose of the organisation as set out in our charter, but it also allows us to draw income in an effective way from those who can afford to pay for it. Out of that, we are able to maximise further English language work in the public education system.

Q179 Mike Gapes: Have you taken advice on whether your commercial business dealings and activity are consistent with your charitable purposes?

Martin Davidson: We have taken advice on a number of occasions and, indeed, consulted with the charity commissioners on this. We are aware that we need constantly to ask the question, “Is this delivering the core charitable purpose of the organisation?” If it is not, we have a trading arm that we could deliver some of that activity through—as other charities do—and then apply the profit to the charitable purpose. At the moment, the advice we have is that the work we undertake fits within the definition of our charitable purposes.

Q180 Mike Gapes: A related question: the Government continue to give you some funding, but very much emphasise developmental issues. That means that in practice work that you are doing in Europe and East Asia is essentially paid for by the revenue you get from your English language teaching and the commercial side.

You referred to the importance of the brand and the link. Does that mean that in practice it becomes more and more difficult for people to learn about the UK and Britain through the British Council? You are a good provider of English language teaching, perhaps an even better provider than some of your UK-based or American competitors? There is not a British image and a British brand in that sense; going through the British Council is just a good way to learn English.

Martin Davidson: Absolutely at the heart of what we are trying to do in places such as western Europe is a balance between the income-generating aspects of our work and what we would call the cultural relations part. Take France as a case in point. The French Government have decided to emphasise the learning of English within their school system. We have two teaching centres in Paris and we will be expanding to Lyon, Marseilles and Lille in the coming year. We are also working with the French Government to support the development of English language learning within the public education system. That is not something we are paid for; it is provided out of the income we generate from direct teaching. In addition, the income dividend that I was talking about earlier enables us to deliver the arts programme and the broader education programme in that country. The big challenge for us as we move into a more difficult environment in the next two years is to ensure that we do not become an organisation that is purely an income generator, but remain a genuine cultural relations organisation delivering this wider public benefit.

Q181 Mike Gapes: You refer to France, and perhaps you can answer in the context of other countries too. Would an ordinary French man or woman know that

this is a British Government brand, as opposed to a way to learn English?

Martin Davidson: It’s a good question. I don’t have firm data, but certainly in the past year we have had people at both the Aix and Avignon arts festivals presenting UK arts as a key part of those festivals. I think that people would see that as the cultural relations element of what the British Council is doing.

Q182 Mike Gapes: Eighteen months ago, we went to Turkey. I was quite struck by how little British Council branding there was in your offices there. There was a lot about the Olympics, but there was very little about the UK. I wonder whether that is a general problem throughout Europe.

Martin Davidson: I don’t think so. Turkey was a particular problem because, as you are aware, we very much retreated behind closed doors following the terrorist attacks in Istanbul. We are now quite clear that we need to break out of that fortress mentality. Turkey is clearly a critically important partner for the UK, and the contribution that we are capable of making is much greater than the contribution we are making at the moment.

At the moment, we are in discussion with the Turkish Government and we are three quarters of the way towards getting an appropriate status that will enable us to become more entrepreneurial and outward-looking than we have been. Turkey is an excellent example of where there will be some capacity for us to earn some income through direct teaching. Clearly, to deliver what we need to do in Turkey, we will need to work with the education authorities on English language, both at basic education level and in universities. We have to put significant effort into growing links between universities in the UK and in Turkey, and the arts continue to be a significant opportunity. There is a big draw from Turkey for more work in that area. The whole area of the development of civil society and its institutions is another aspect. We would expect in the next two years to build each one of those areas for a more effective British Council presence in Turkey.

Professor Gillies: May I give you a little observation? The curriculum that we use to deliver English is absolutely steeped in British culture. I went to Riyadh for one day—it was a challenging day—and turned on the television at 7 o’clock, to hear a young woman talking about learning English with the British Council. This was on their prime time TV. She was telling people to go and see the great British Council film, which was a fabulous rom-com—I think that means romantic comedy—and it was “Twelfth Night” by Shakespeare. That really brought it home to me that we truly are delivering aspects of culture that are being embedded in the way young people think, in even the most challenging cultural contexts.

Q183 Mark Hendrick: May I follow on from what Professor Gillies was just saying? I think it is important that when we deliver anything, particularly in the English language, a particularly British flavour is given to it within the curriculum as well. I would like to focus specifically on English language teaching. There has been some concern particularly

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from private language organisations that want to deliver—not specifically in Europe but particularly in less developed places—about the possibility of grant income being used to subsidise commercial services such as English language teaching. Would you like to comment on that?

Martin Davidson: We are obviously aware of some of the concerns, some of which have been in the public papers as well from a certain number of organisations. One of the difficulties, to be honest, that I have with this is that I hear a generalised air of concern, but I find it difficult to get the specifics to enable me to examine—

Q184 Mark Hendrick: It is a straightforward question: do you subsidise delivery?

Martin Davidson: No, we do not. We have a very clear policy. It is part of the audit process that we do not subsidise teaching from the grant. Indeed, all the development of new activity within the English side, including that which might previously have been funded through grant, we now fund through income because we recognise that we need to have an absolutely clear line. Our commercial English work and the development of new programmes for English are all funded out of the commercial income of the organisation.

Q185 Mark Hendrick: I am quite encouraged by that. Like many members of this Committee who have travelled around the world and visited British Council establishments here, there and everywhere, I am particularly pleased when I hear local people say, “I use the British Council and I learn English through the British Council.” Many people claim that the British Council is far more expensive than other providers. What is your view? I would like to see English language provided on a basis that makes it more open to the masses in countries such as China, rather than something that is a premium offer because the quality of English language teaching with the British Council is perceived to be high. How exactly do you pitch the price at which you offer the lessons?

Martin Davidson: We recognise that we tend to operate in the upper quartile of the market. We are not a cheap offer. That is in part driven by the fact that central to the way in which we teach English is that our teachers are native English speakers—essentially expatriates—and they are extremely expensive. Rather than weakening that commercial offer, we are focusing on how we can provide additional activity for the broader masses through our work. For example, we have just reached agreement with the Thai Government, who are producing a million tablets for their school children. We will supply free a minimum of five hours of English language teaching for each child using those tablets. We now have more than 2.2 million users of our online services for teachers as well as learners of English, so people teaching in the public education system are able to draw down English lesson plans and support to improve their teaching.

We would find it very difficult to operate a low-cost direct teaching operation, and indeed we would be open to a lot of criticism locally, because much of that

is delivered by local commercial organisations. What we are doing, however, is building the capacity to deliver a free-to-user service to individuals who want to learn English, particularly online and by supporting the public education systems in different countries.

Q186 Mark Hendrick: What are you doing to teach teachers?

Martin Davidson: One example of that is our work with 11 states in India on delivering trainer training to the teacher training schools, which have now produced something like 750,000 teachers of English. The cost for that: we put £400,000 a year into that programme; the Indian states put in £800,000. That is a £1.2 million programme—over five years—to deliver teacher training. What is important for us is that our effort is going into training the trainers. It is not just putting a British teacher to train a few people; it is being genuinely sustainable for the long-term, to improve English language teaching across the country.

Q187 Sir Menzies Campbell: Forgive me for returning to the question of entrepreneurial spirit. I was on the board of the British Council when Helena Kennedy was in the chair. There was a discussion about creating an arm’s length company to produce resources that could be applied for the charitable purposes of the council.

I understood from your answers to these questions that there was no clear determination in one direction or the other. Some of what the trading company does is used, but there are other activities that you think are better done by the council than the trading company. If the trading company were the sole provider, it would remove the question of whether what you are doing is charitable or commercial, would it not? Have you taken further advice on that recently?

Martin Davidson: It is an area of some discussion with trustees. There has certainly been a view that you put into a trading company the commercial activities, you drive for maximum profit out of those, and then you apply that profit in order to do good. My view and that of the trustee board is that there is a great danger that that drives you into chasing after short-term profit. Overall, the organisation is better at delivering our charitable purpose in a way that enables those who can afford to pay, to pay for it, but is also part of the overall charitable purpose of the organisation.

Q188 Sir Menzies Campbell: Against the background of a reduction in support from public funds, you are going to have to be more entrepreneurial even to maintain current levels of activity.

Martin Davidson: Yes.

Professor Gillies: Yes.

Q189 Sir Menzies Campbell: To some extent, you may have answered these questions in response to other members of the Committee. Are any closures of overseas offices forecast for the immediate future?

Martin Davidson: We have not announced a programme of closures.

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Q190 Sir Menzies Campbell: I understand the sensitivity about that. Perhaps you could give me some indication in broad and unspecific terms.

Martin Davidson: There is no question—particularly if what we fear is likely to come from a further reduction into 2015–16—but that our ability to maintain the scale of operation we have, for example, in western Europe is going to come under real challenge. While I think we have some very fine small offices, there comes a point when the cost of being there is simply excessive compared with what you are actually able to achieve.

One thing we are examining at the moment is how we can offer an effective set of services into countries without a physical presence—whether through online, digital or other means. My expectation is that we will move towards a position of reducing the total footprint of the organisation in the next three years.

Q191 Sir Menzies Campbell: The World Service is in the course of adopting a hub-and-spoke approach. Is that something you have considered?

Martin Davidson: We already do have a hub-and-spoke approach. For example, we now have a number of country operations where we employ local country directors rather than UK-based staff, managed out of a central hub. That is particularly the case, for example, in our wider Europe region—in the Caucasus and central Asia—parts of east Asia and also Latin America. Some of that hub-and-spoke is also looking at delivering services that do not require a physical presence in the country.

Q192 Sir Menzies Campbell: Co-location with embassies? Is that something that you are applying your minds to at the moment?

Martin Davidson: Yes. We have made a number of co-locations recently. Not all of them involved us going into embassies. In Johannesburg, for example, the UKTI has come into our offices as a means of balancing out the challenges for both organisations. We are very comfortable with co-locating, but we need to recognise that there are some places where that is difficult, either because of external expectations of us as an organisation or because, to be honest, not all ambassadors are completely happy about having five to 15-year-olds running around their embassy learning English.

Q193 Sir Menzies Campbell: They should be. I am disappointed if Her Majesty's diplomatic service is not receptive in that regard.

There are other sensitivities, which I think you hinted at a moment or two ago, because the perception in some countries and among some Governments is that the British Council is, as it were, a mouthpiece of British foreign policy. We know and understand that that is quite different and that the analysis is not justified. Does that consideration inhibit what I might describe as a wholesale co-location with embassies?

Martin Davidson: We have to ensure that, first of all, it is acceptable within the local circumstances and people's expectations of us as an organisation. Secondly, the embassies have to provide an appropriate environment for us. One of the things that

we are extremely wary of is going behind high walls and closed doors, because we are essentially an organisation that is open to the public to the extent that we possibly can be.

Q194 Sir Menzies Campbell: And increased security, because of threats of various kinds.

Martin Davidson: Correct.

Q195 Sir Menzies Campbell: May I just quickly deal with one region and one country? How successful has the Young Arab Voices programme been? Are the financial cuts that we have been discussing likely to have an impact on that programme? If so, what kind of impact?

Martin Davidson: We believe that it has been an extremely successful programme. It is providing an opportunity for a substantial number of young people across the Arab world, particularly in North Africa, to, first of all, come together. Secondly, we are working with them on issues such as how to debate. It seems like a remarkably simple thing to do, but actually providing people with the skill set that enables them to disagree with each other, rather than simply taking positions on what they believe, is important.

The programme also enables us to hear from those young people about the expectations that they have of both their own society and the sort of support that they want from other countries. The sorts of things that we hear are demands for English language, for education opportunities, for skills development and for connections with other parts of the world. At the moment, our intention is to protect the work that we do—particularly in North Africa, but also in the wider Middle East—to the maximum that we can. It would be right at the most extreme end of a future funding scenario for us to actually cut those programmes.

Q196 Sir Menzies Campbell: Does the scheme apply to all the countries in the Arab League?

Martin Davidson: It applies principally to the five countries across North Africa.

Q197 Sir Menzies Campbell: Not to the same extent in the Gulf?

Martin Davidson: Not at the moment.

Q198 Sir Menzies Campbell: If you had the money, would you do it?

Martin Davidson: Yes, we would. Indeed, as I said, I was in Qatar last week, and we are talking to some potential partners there to see whether we can also support a widening of that programme.

Q199 Sir Menzies Campbell: Very good. On China, because of the nature of China and the extent to which Government and economics are more integrated, shall we say, than in other countries, do you find any conflict in the role of the Council not prejudicing the strengthening of economic relations, which is part of the UK Government's policy, while maintaining a proper dialogue and, if necessary, criticism in the realm of human rights?

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Martin Davidson: It is an extraordinarily sensitive area, as you are more than aware. You will know, for example, about the work that we did with the London book fair this year in bringing writers from China to the UK. We faced considerable criticism that we had not brought some dissident writers. We were quite proud of the fact that one of the key writers we brought has now been awarded the Nobel literature prize. For us, what is critical is that we do not look at a single event like the London book fair, but at a broader sweep. For example, over this year we have brought Chinese writers to the London book fair, the Hay festival, and the Edinburgh international book festival, and we have brought a number of people who have been much more vocal in criticising the Chinese Government than perhaps those we brought to the London book fair.

Central to our core belief is that exposing influential people in China to a wider and different set of expectations is a key part of what we do. We are not afraid, either, to introduce into China people who are going to be critical of the Chinese Government in public. Indeed, on Friday, I was in Beijing closing the UK Now festival with a one-day conference on the arts and the power of the arts to change people's expectations of their future. We had speakers from the UK who were quite openly critical of what they saw as aspects of the Chinese Government's agenda.

Having such conversations in an environment that is relatively safe and acceptable to the Chinese Government or the Chinese participants is important. We would not expect those criticisms to be reported in the Chinese newspapers, but there are certainly people who are having day-to-day conversations and will continue to have those conversations through the sort of work that we do, which enables those criticisms to be both voiced and heard.

Q200 Andrew Rosindell: I have a couple of questions about the activity of the British Council in certain parts of the world, and then I have a final question.

First, Russia. The office in St Petersburg remains closed. Obviously, there have been serious issues with Russia's acceptance of foreign institutions operating in that country. How are you going to approach this in the coming months and years, and what are your plans to find a way of re-engaging with Russia and perhaps reopening that office and expanding?

Martin Davidson: Over the last couple of years, our relationship with Russia has significantly improved. Members of the Committee will recall the considerable difficulties that we had three or four years ago. The tax issues that arose in that period have now been settled, I am pleased to say, very satisfactorily as far as we are concerned. Essentially, the tax demands were reduced by something between 95% and 98%, depending on which particular ones were in question.

We have had a series of significant high-profile exhibitions over the last year. We had William Blake in Moscow. We had the very substantial Henry Moore exhibition, which opened in February. I was there for the opening. It was the first time I have actually been able to visit Russia for the past five years, and that

was in the Kremlin. It was a very significant event. We also had Antony Gormley's exhibition in St Petersburg. So we have a series of significant arts events now taking place, and the Foreign Secretary agreed with Mr Lavrov to have 2014 as a UK-Russia year of culture. So on the cultural side there are significant advances.

We were also pleased that, when the Foreign Secretary visited Russia, it was also agreed—with the right legal framework, which, of course, is a rather broad-based term—that the Russians would welcome our re-starting teaching and exam work in Moscow. We feel that we have moved to a different recognition and welcome in Russia. We are very clear in all the conversations that we wish to reopen our office in St Petersburg as soon as we possibly can, but we will do so only with a clear and unequivocal acceptance by the Russian authorities that that is both welcomed and approved. We will continue to press for that approval to be given.

Q201 Andrew Rosindell: On to another part of the world: Latin America. Obviously you are aware that Government policy is to do a lot more in terms of trade and reopening diplomatic missions in that part of the world. How is the British Council reacting to that? Having literally just arrived back in Heathrow this weekend, having been in Latin America, it struck me how amazing it is that the English language is not spoken widely at all. This is clearly an area of the world that we need to do a lot more work in, so how will the British Council respond to that challenge?

Professor Gillies: Speaking as a vice-chancellor of a university, we are absolutely delighted that the British Council is managing the Science without Borders programme, bringing 10,000 Brazilian students to the UK to study in a range of our universities. It is a tremendously exciting programme, supported by those in the highest office in Brazil. They are very keen to engage with us and the door has been firmly opened. I was recently in Algeria—an interesting country—where the Minister for higher education said, “We wish we could send some of the 100,000 students that we send to France to British universities. We wish your visa system was a little bit more friendly.” The programme that the British Council managed for universities has been hugely powerful as a first step.

Martin Davidson: Brazil is really interesting and we are supporting Universities UK in the management of the programme that Professor Gillies mentioned. Of all the regions, Latin America is the one where we have the least widespread presence.

Q202 Sir Menzies Campbell: That is because we did not have a colonial presence there, is it not?

Martin Davidson: In part, although, unfortunately, we did also make a number of closures 10 years ago. Again, one of the great problems we always have as an organisation is that you never know, when you are making decisions on where you are going to close this year, what will be critically important next year. We could, quite frankly, have been closed in two places in North Africa three years ago, and quite clearly it would have been disastrous had we done so.

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We closed, for example, in Bolivia, Peru and Ecuador, and ideally we would not have closed, particularly in Peru. We are looking at the moment at whether we can reopen our office in Peru. We are in negotiations with the Peruvian Government to see whether we can get an appropriate arrangement. We are also currently working with the Uruguayan Government, who have asked us to support a significant programme of development of English language in their school system. I was with the Prime Minister in Brazil earlier in the year, talking to the Brazilian authorities, which have a huge issue around the English language, not least in preparation for both the World Cup and the Rio Olympics, let alone in having students with the capacity to make the most of the Science without Borders programme.

English language is a huge opportunity and challenge and we were delighted that President Santos in Colombia asked to be able to attend and open a regional meeting that we held in November to look at the growth of English language, and teaching English language across the region. It is an area where we need to do more. There are certainly big opportunities and we need to find a more effective way of picking up on them. For that reason, we have just agreed that we will put an additional £3 million into our work in Latin America for the coming year.

Q203 Andrew Rosindell: Just on that, is that likely to happen with Venezuela?

Martin Davidson: We have an operation in Venezuela. It is a very challenging place in which to operate, both politically and from a criminal security perspective. For example, a director was held at knifepoint overnight in her own home only two years ago by raiders. It is a challenging place to operate and we will continue to manage that. It is not the easiest place to expand in the immediate future, but obviously, given the present political circumstances there, it is difficult to know what the opportunities might be in the near future.

Q204 Andrew Rosindell: I have one final, general question, which really follows on from Mr Gapes's question a little earlier, and is about branding. I have been to British Council offices around the world over the years, and am a huge admirer of the British Council's work. However, there is one thing that I think needs to be addressed. We talked strongly about the British brand, we talk about British values and all the things that we are promoting, but I have a question here that I feel needs to be looked at: why is it that the branding of the British Council is in some senses so soft that it almost lacks any colour whatever? I feel that there needs to be more clearly British branding about it.

For instance, when I go to British Council offices, I never see a map of the United Kingdom and what the United Kingdom is—what Britain actually is. We talk about "British", but do these people in all these countries know what Britain actually is? Do they know what it is made up of? Do they know about the Queen? Do they know about all those sorts of things? There is no flag; there is nothing that is distinctly British about British Council offices. How would you

respond to that? Of course, there is soft power, and you do not want to overdo it, but when you walk into a British Council office, you have almost nothing that indicates anything that is distinctly British. Even the logo is these four nicely rounded circles, but nothing that is red, white and blue. It is completely bland. Isn't it time that the British Council was more distinctly British?

Martin Davidson: I would challenge you on how British we are. Our very name is quite clearly a branding. If you look at our teaching centres, in virtually all of them you will see a series of posters, which we repeat every year in different formats, of great British icons—quite clearly so. We have also bought in, with financial contribution, to the Great campaign, and many of our offices are using that: all our public-facing computers, for example, have screensavers that are Great campaign screensavers. I hear the challenge and I accept that we need to be very clear that we are a British organisation and we are representing this country in all its manifestations. We have huge pride, for example, that the Queen is our patron, and that is something that we constantly refer to.

Q205 Andrew Rosindell: Is there a portrait of the Queen in British Council offices? When you walk in can people see that?

Martin Davidson: Yes.

Andrew Rosindell: There is?

Martin Davidson: Yes.

Q206 Andrew Rosindell: I have never seen one.

Martin Davidson: I am surprised. Certainly I would expect there to be a portrait.

Andrew Rosindell: I am delighted to hear that.

Q207 Sir Menzies Campbell: Can we get posters of Jessica Ennis and Mo Farah, who represent the quintessence of Britishness, at least as demonstrated this summer?

Martin Davidson: Absolutely. There is no question but that just the Paralympics alone completely changed the way that people thought about this country and the way in which we are an open and welcoming society for people who come from a whole variety of backgrounds.

Professor Gillies: The key thing is that we are not delivering to the countries we are working in, we are learning with them. We actually learn a lot from the colleagues we work with, from India to Bangladesh to South America. So we have to be slightly cautious about how we push the brand, remembering that the brand is encapsulated in the curriculum content of everything that we do. But I think it is a good point.

Q208 Rory Stewart: In the three minutes remaining, what has been the impact of the Government's immigration policy on your ability to exploit these wonderful educational and business opportunities for all these people who you say are now desperate to come to the UK?

Professor Gillies: Well, I had a really uncomfortable meeting with the British ambassador to Algeria, Martyn Roper, and the Minister for Higher Education

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of Algeria just last Monday. He perceives us to be unfriendly. We are actually not unfriendly but he definitely perceives us to be. I think it is seriously damaging our ability to work with countries, and not just in higher education—it is poisoning a wide range of activities that we are engaged in. We need to work hard to turn around those negative perceptions.

Martin Davidson: There is no doubt that, over the last year, issues like London Metropolitan university have had a very deleterious effect on the sense that the UK welcomes foreign students, most particularly in India. The other aspect is that, very often, statements which are made for domestic consumption in this country, appear on the front pages of *The Times of India* or the *New Straits Times* rather sooner than they do on the front page of *The Times* in London, and they are read as Government statements about how welcome foreign students are to this country.

Q209 Chair: Is that purely because of visas?

Martin Davidson: Purely because of visas. There is a sense that foreign students are not welcome. That is why we very much welcomed the statement made by the Home Secretary last week in terms of there not being a cap. Many countries believe there is a cap on visas, and many people believe that the systems are designed to make it difficult to come here. Much of my colleagues' time is taken up trying to convince local authorities, agents and other organisations that that is not the case.

Chair: Mr Davidson, Professor Gillies, thank you very much. That is very helpful. We wish you well, and we remain your supporters.

Written evidence

E-mail from Peter Horrocks, Director, BBC World Service

Following the Government's 2010 Comprehensive Spending Review and the subsequent savings plan announced by BBC World Service, I am writing to you now to let you know the details of the Year 3 savings. These savings are part of the original three year restructuring plan I announced in January 2011, and are unrelated to the World Service's move to Licence Fee funding in April 2014.

In 2011 the BBC World Service was set a savings target of £42 million by April 2014, of which nearly £30 million has already been achieved. Changes to programming, staffing, scheduling and distribution will save a further £12 million over the year 2013–14. However, there will be no further language service or platform closures, and all of the savings I am announcing today support the strategic direction of the World Service designed to best serve our audiences. Although we have worked hard to reduce the number of post closures, originally estimated at over 100, this will unfortunately result in 73 post closures.

The changes announced today include:

- Changes to the World Service English schedule including a new simplified global schedule with fewer regional variations, the replacement of *World Briefing* with a new programme, *The Newsroom*, and a reduction in the number of documentaries.
- *Outlook* will be expanded to an hour each day and a new programme, *The Slot*, will feature arts and culture coverage. These schedule changes will result in the closure of *The Strand*.
- In total there will be 25 post closures across World Service English.
- Changes to language services—Year 3 savings affect those services which were not required to make changes in Years 1 and 2 of the Spending Review settlement. To reiterate, there will be no further closures of languages or radio services. The changes will primarily affect operational structures and transmission. In some language services, post closures will be mitigated by the creation of new posts in bureaux overseas.
- The English Language Teaching team will reduce their commercial activity to focus on public service provision.
- These changes will result in 44 post closures across the language services.
- We will also be making changes to the distribution of short wave and medium wave programmes to take effect from the end of March 2013. I will be in touch with more detailed plans about distribution changes next week.

The NUJ and BECTU have been notified of these proposed changes and I and the senior management team will consult both them and staff affected by these changes to look for ways to reduce the number of compulsory redundancies where possible.

Despite financial pressures, we have continued to adapt our services in response to changes in our audiences and this strategy will continue. We have already seen the successful launch of new TV programmes, *Focus on Africa* in English on BBC World News, and *Dira Ya Dunia* in Swahili, carried by partner broadcasters across sub Saharan Africa.

By making these changes, we are achieving the savings required whilst crucially, ensuring our audiences continue to receive the best programming. George Entwistle, the BBC's new Director General, stated in his opening address to staff that he is very supportive of the World Service, as is the Chairman, and as we prepare to move to Licence Fee funding in 2014, by focussing on key strategic objectives, we will be able to demonstrate that we have clear direction and purpose and are as efficient as possible.

Please do get in touch if you have any particular concerns or questions on the above changes.

18 October 2012

E-mail from Peter Horrocks, Director, BBC World Service

Last week I wrote to you about changes to World Service English and language services to help meet savings targets for year 3 of the Government's Spending Review. I said then that there would also be changes to distribution, and I am writing to you now to give details of those plans.

To reiterate, these savings are part of the original three year restructuring plan I announced in January 2011, and are unrelated to the World Service's move to Licence Fee funding in April 2014.

As you are aware, distribution of BBC World Service has changed significantly in recent years as alternative means of accessing media have proliferated. Short wave audiences are declining as radio audiences come to rely increasingly on medium wave and FM, and there has been a rapid growth of TV and digital media.

In the Arabic speaking world, satellite television is widely available and is complemented in many areas by radio services on medium wave, as well as the internet. Many urban areas also have access to FM radio

broadcasts. We have responded to changing audience needs by launching a network of FM relays, a 24-hour television channel and the bbc-arabic.com website.

From the end of March next year (2013), the following changes will be implemented:

Short wave

- The English short wave service will continue to all regions, but at a reduced level of six hours per day (currently available between seven and 19 hours a day depending on the region).
- Arabic short wave to the Middle East will stop. However, in Sudan, where there is a strong need for humanitarian information and limited access to other media, we will continue to provide a short wave service.

Medium wave—Middle East

- The Arabic medium wave service to Syria and Lebanon will continue, but will be reduced from 18 hours per day to eight.
- The Arabic medium wave service to Egypt will also be reduced, to six hours per day (currently 17.5 hours daily). Medium wave to the Gulf States will remain at six hours per day.
- The English medium wave service to Israel, Lebanon and Jordan will be reduced to four hours per day (reduced from 16–18 hours daily) and will be broadcast on a new frequency.
- Medium wave services will continue during peak hours where possible, when they have the greatest audience reach. We estimate that today's announcement will result in an overall loss of 1% of the total Global News audience across all platforms. Any audience loss is of course regrettable, but we are not in a financial position to continue to distribute our services on all wavebands at all times of the day.

As a result of these changes, the short wave transmitting station in Cyprus, which is managed by Babcock and staffed jointly by them and local Foreign and Commonwealth Office staff, will close, with the loss of 26 posts. Whilst there are no post closures for BBC staff, we are working with FCO and Babcock colleagues to assist the team in Cyprus.

The changes are in line with our overall strategic aim of ensuring that we are able to respond to changing audience needs and invest in the way audiences consume news. This will continue to be our strategy as we prepare to move to Licence Fee funding. As part of that process, the BBC Trust will prepare—with our substantial involvement—a licence describing the purpose, remit, strategy and budget of the World Service in the Licence Fee. The Trust will also carry out a public consultation on this licence ahead of transfer to the Licence Fee.

As ever, please do get in touch if you have any particular concerns or questions on the above changes.

25 October 2012

Written evidence from PCS (Public and Commercial Services Union)

INTRODUCTION

PCS is the biggest union in the FCO. We have over 1400 members and represent staff working both in the UK and overseas, in the Diplomatic Service and Home Civil Service cadres and across all grades in the office.

SUMMARY

- A. In order to achieve “Diplomatic Excellence”, the FCO needs to have increased funding and increased staffing levels amongst UK based staff.
- B. The current promotion system used in the FCO needs to be reformed to allow the full potential of staff to be realised and to tackle possible discrimination.
- C. The FCO needs to ensure it has proper systems in place to monitor and promote diversity throughout the organisation.
- D. An independent review should be conducted to assess the impact of the increasing use of Locally Engaged staff at the expense of UK diplomats on the UK's overall diplomatic capability.

The FCO's “Diplomatic Excellence” programme and associated arrangements for the training, promotion and deployment of staff.

1. PCS broadly supports the idea of “Diplomatic Excellence”. However for the FCO to truly achieve this it needs adequate resources. Over the current CSR period, the FCO will see a 10% real terms cut to its budget, with an annual cut of £100 million from its running costs. This now leaves the FCO, as the FAC has observed, spending less annually than Kent County Council, and with funding levels well below an equivalent foreign affairs department such as the French Ministry of Foreign Affairs, whose current annual budget is £2.5 billion (excluding spending on international aid), compared with the FCO's current annual budget of £1.056 billion. These cuts mean that staff numbers, among UK based staff, will by our estimation be likely to

have fallen over the current CSR period by 20% . These cuts in staff numbers are already having an impact with the FCO unable to fill posts in policy jobs in London and hardship posts overseas, with an inevitable impact on the FCO's capability. In order to really achieve Diplomatic Excellence we believe the FCO needs increased funding and increased UK based staffing levels.

2. For the FCO to achieve Diplomatic Excellence it needs to invest in its staff, and also make sure that the potential, skills and experience of its staff from all grades, all backgrounds and all different groupings is fully utilised.
3. A key part of this are the systems used to develop and promote staff. At present the main means of promoting staff are Assessment and Development Centres (ADC's) which aim to test the ability of staff to perform at a higher level through demonstrating key competencies involving the use of role play scenarios.
4. PCS does not believe that ADC's are the best or most efficient way of assessing capability to work at a higher grade. The last FCO staff survey showed that over 75 % of staff at Band C5/ Senior Executive Officer level and below do not believe achieving promotion in the FCO is based on merit and in another recent internal survey 58% did not believe that ADC's led to any improvement in the policy capability of officers. ADC's also have a high failure rate; in 2011-12 the failure rate was 58.9%. PCS does not believe this is due to a lack of capability, but rather ADC's are a very narrow and specific way to gauge suitability to perform at a higher level, which ignore the past performance or experience of staff in diplomatic jobs, eg recent performance appraisals are given little weight in determining whether staff should be promoted. The cost of ADC's is estimated at over £1 million a year. The high failure rate also means the FCO now faces shortages of staff at particular grades.
5. PCS also have serious concerns about indirect discrimination within ADC's. Between 2008-12 (the FCO do not produce this data for individual years), the Band C-D ADC (ie promotion from a post such as Desk Officer to a post such as Head of Section) showed that the pass rate for BME staff (Black and Minority Ethnic) was 28.6 % compared to 45.3% for non BME staff. The Band B-C ADC (ie promotion from a post such as Junior Desk Officer to a post such as Desk Officer) from 2008-12 showed the pass rate for those aged between 40-49 was 27.5% while for those under 30 it was 62%. This suggests there may be indirect race and age discrimination within the current FCO promotion system. Indeed a recent ET case against the Home Office's promotion system, which is similar to the FCO's, found that it had indirectly discriminated on the grounds of age and race.
6. It is not just the figures for promotion which illustrate there are serious diversity issues within the FCO. In terms of Performance Appraisal, only 6% of BME staff were marked as exceptional compared to 14% of non BME staff. This again suggests there may be indirect discrimination. The FCO have produced a paper looking at staffing issues for BME staff. In this they suggest there "may be an unconscious bias" against BME staff in the FCO. PCS believes the FCO need to investigate this matter further to determine whether this really is the case.
7. PCS have written to the FCO to outline our concerns about what we believe may be indirect discrimination within the promotion and appraisal systems. However we believe there is a wider systemic problem with diversity within the FCO. There is still the perception (and something that we believe is likely to be borne out by a proper analysis) that at more senior levels of the FCO, positions are disproportionately filled by people from a fairly narrow, and what could be termed privileged background. There is also the perception amongst many staff that the whole culture of the FCO favours people from these backgrounds. PCS believes that SES (Socio Economic Status) should also be used in addition to those characteristics protected by law, to monitor levels of representation throughout the FCO. This is in line with the 2011 Cabinet Office Report, "Unleashing Aspiration": The final report of fair access to the "professions" with recommended using SES to monitor employment data.
8. The FCO is currently carrying out a review of performance, postings, promotion and people. PCS believe this is the perfect opportunity to make sure that the FCO have systems in place which are non discriminatory, promote diversity and make sure that the FCO is fully representative of modern Britain at all levels of the organisation . If it really wants to achieve Diplomatic Excellence the FCO has to make sure that all groups of staff in the office are given the opportunity to realise their potential.
9. The deployment of staff will be vital if the FCO wants to achieve Diplomatic Excellence. Making sure there are the right people in the right roles around the world lies at the heart of the UK's diplomatic capability. In previous submissions to the FAC, PCS have highlighted concerns about cost cutting proposals to end nearly all overseas postings for more junior staff by 2015. These posts provided an invaluable training ground for future more senior diplomats and also provided UK Embassies and Consulates with the resilience needed to deal with emergencies.

10. Linked to this was the FCO's increasing reliance on Locally Engaged(LE) staff meaning at most posts there were fewer and fewer UK diplomatic staff. Already LE staff now represent 66% of the FCO's global workforce.
11. The FCO has recently carried out a review of LE Staff and has agreed to blur the distinctions between LE staff and UK based Diplomatic Service staff by: introducing a single staff grading structure and a single performance appraisal system; and to make it easier for LE staff to be deployed in different locations around the world, including taking up positions in the UK. The clear intention of this is to further increase the use of LE staff.
12. PCS believes there are significant risks involved in the greater integration and deployment of LE staff. These include: security issues as most LE staff do not have DV clearance meaning the work they could carry out in many missions would be limited and resilience at posts as all UK based staff have a 24/7 obligation unlike LE staff.
13. Localisation of business critical roles (eg consular) means that some posts have lost the 24/7 flexibility created by UK staff. The only way round this would be to get LE staff to accept longer notice periods and 24/7 flexibility. Whether the FCO would be able to find high quality LE staff prepared to sign such contracts is a moot point. Indeed anecdotal evidence suggests that some posts are having difficulty recruiting/retraining staff when LE staff have resigned at short notice leaving problems around training and business continuity.
14. PCS recognises the important contribution that LE staff make to the work of UK missions, however there has to be a sensible balance between the use of LE staff and having sufficient UK diplomatic staff at Posts to ensure the work of posts is not compromised or overall UK diplomatic capability. UK staff have full diplomatic immunity, 24/7 flexibility and DV clearance, none of which most LE staff have. PCS is concerned that cost rather operational capability is driving the decision to deploy more LE staff.
15. The impact of this on the morale of UK staff—which is already low as a result of the public sector pay freeze, changes to pensions and job cuts—should not be underestimated as they see the role at LE staff enhanced at their expense.
16. PCS believes a full independent review needs to be undertaken into the impact of the decision to end nearly all overseas postings for junior grades, and the increasing use of locally engaged staff on the operational capability of UK Posts overseas and the UK's overall diplomatic capability. This should be conducted prior to any further changes to the way LE staff are deployed by the FCO.

26 October 2012

Written evidence from TheCityUK

SUMMARY

- A real and positive change since the FCO increased its emphasis on trade and investment promotion.
- Good engagement between industry and FCO officials with FCO staff becoming more aware of industry issues.
- FCO Prosperity Fund supporting UK business while matching with FCO objectives.
- Interests of Financial and related Professional Services to be raised in formal bilateral meetings.
- FCO should consider mechanism for earlier and better engagement with business when planning Ministerial visits overseas.

THECITYUK

1. TheCityUK is a membership body representing the UK's financial and related professional services. Its Board and Advisory Council include the most senior individuals from across the sector. Although we have to prioritise we maintain a global outlook with a commitment to help UK based firms grow their business in other parts of the world. For international promotion and the Liberalisation of Trade in Services we inherited the role of International Financial Services London and its predecessors, but we have expanded our remit to represent the whole of the sector's interests in its dealings with Government and internationally.

COMMENT

2. TheCityUK welcomes the Select Committee's decision to enquire into the FCO's Performance & Finances in 2011–12 and wishes to submit views which relate especially to the third and fourth bullet points on the enquiry's list, namely:

- Results so far of the FCO's increased emphasis on trade and investment promotion and on commercial interests; and
- The reshaping of the FCO's network of overseas posts.

3. TheCityUK believes that the UK offers exceptional products in financial, legal and professional services and is home to world-class practitioners in the field. We will continue to encourage HMG to support the sector as a major generator of business for UK PLC. TheCityUK and its members agree that the UK economy stands the best chance of recovery from its current economic difficulties if UK business does more to develop trading links with emerging markets.

4. We have noticed a real and positive difference in the promotion of the UK's commercial interests since the creation of the Commercial & Economic Diplomacy Department and the FCO Prosperity Directorate. Since this initiative started we have also enjoyed increased and very positive engagement with FCO officials from the Permanent Under Secretary down. We have also been facilitating meetings between FCO officials at home and overseas with our members. This engagement covers a number of agendas including; international trade promotion, barriers to trade, regulatory change and EU issues. This engagement with the FCO is welcomed by our members and the industry as a whole.

5. There are good links between TheCityUK (and its practitioners) and the FCO teams in Posts and London. There are regular visits, exchanges of views, and two-way contacts to see how best the FCO can support UK companies in this sector. FCO staff are now beginning to understand even better the importance of the financial and related services sector as a facilitator of business across other sectors. We welcome and have participated in the training of FCO staff in introducing them to financial services. FCO officials are regular attendees at meetings of a number of TheCityUK's Country and Sector Groups, and at meetings of our Liberalisation of Trade in Services (LOTIS) Committee.

6. The network of Prosperity Officers and reshaping of FCO posts is also a welcome development. Our Priority Markets are broadly in line with the FCO's. As a consequence we are seeing increased focus from Posts overseas on the wider issues relating to trade promotion, barriers to trade, impact of economic reforms etc. We have been acting as a multiplier by sending (where agreed) FCO economic reporting to our members and the industry response to this has been positive. We are now receiving requests for co-operation from Prosperity Officers from a wide range of posts, their activity in some locations greater than the engagement we have with UKTI staff.

7. We would in particular like to pay tribute to the work of the Prosperity Fund, whose activity led directly to an MOU between TheCityUK and the Brazilian Services Coalition (signed on 26 September 2012). Our Embassy in Brasilia arranged for two Brazilian trade policy officials to visit London in February, accompanied by Dawn Reis (Prosperity Fund, Brasilia). The Embassy, seeing the need for UK professional services in Brazil to get a higher profile, gave seed corn funding for a study of how private sector services interests could relate better to the Brazilian government. Remembering TheCityUK, the Embassy then approached us to raise with us the possibility of an MOU. We will now be taking this forward and the discussions will we hope help us to make the case for better access to this market for UK professional services.

8. The Prosperity Fund has also supported our work with assisting the Russian authorities' ambition to develop Moscow as an International Financial Centre (MIFC). The MIFC is an ambitious project and through our engagement we are assisting the Russian authorities to open their markets, increase transparency and bring good governance into business transactions. We are aware that three UK companies have already won contracts related to the MIFC project.

9. Our work with the Moscow Embassy relating to the MIFC project complements their own objectives and this is a recurring theme. We are currently working with posts in the UAE, Morocco and posts across sub-Saharan Africa on projects relating to economic diplomacy. Although in some areas the boundaries between the work relating to the FCO Prosperity agenda and UKTI initiatives are blurred this is not an issue for us.

10. In return we have been able to support FCO initiatives in London and overseas. We have provided venues and sponsorship for FCO events in London. We have also participated in events organised by our Missions overseas in support of their own Commercial and Economic Diplomacy objectives. We therefore welcome and applaud the FCO's increased emphasis on trade and investment promotion and on the wider commercial and economic interests.

RECOMMENDATIONS

11. TheCityUK understands that business is helped by high-level engagement between political leaders. We welcome the regular bilateral meetings of Joint Economic and Trade Committees, Joint Business Councils, Intergovernmental Steering Committees etc. These are important structures to maintain contact at Ministerial level. Many practitioners while hoping that such meetings will generate business opportunities recognise that the very holding of the meetings produces an atmosphere and environment where bilateral business prospects and contacts can be extended. We aim to get financial services on the agenda of these meetings given the role the sector plays in facilitating trade promoting economic and regulatory reform. However, we often find objections from our own trade officials to putting financial and professional services on the agenda of such meetings, often at odds with our bilateral partner's wishes. Given the wider impact of financial services, we would request further support from the FCO in ensuring that financial services issues are given full consideration when these meetings are being planned. Under the umbrella of these meetings we can galvanise the private sector in both countries to raise awareness of the opportunities for further bilateral trade and investment.

12. We welcome the emphasis the Coalition Government has placed on Ministerial contacts. We urge senior Ministers to travel overseas regularly and to carry out visits once they have been scheduled. We recognise the pressures of Parliamentary business on busy Ministers, but would urge them to schedule visits at times which would make it unlikely to cancel. But we often find that engagement with industry for Ministerial and VIP visits is often left to the very last minute. We appreciate there are security issues but inviting senior business people to join Ministers or VIPS in their overseas visits with less than a week's notice is not feasible. Short notice of such meetings also makes detailed briefings difficult. We would therefore recommend that the FCO develops a process for Ministerial and other visits that allows early engagement with industry while maintaining appropriate security concerns.

30 October 2012

Supplementary written evidence from the Foreign and Commonwealth Office

I would like to thank you and the Committee for inviting me to provide evidence for your inquiry into the FCO's Annual Report and Accounts. I welcome such opportunities to explain to the Committee what we are doing to improve the FCO's performance and finances and to hear the Committee's views on areas for further improvement.

During the evidence session, you requested some additional information on the closure of our overseas Regional Passport Processing Centres, the FCO's decision not to build a new embassy in Kabul, and Diplomatic Immunity for Local Staff.

CLOSURE OF OVERSEAS REGIONAL PASSPORT PROCESSING CENTRES (PENDING CLEARANCE FROM IPS)

You asked about the number of jobs that will be lost and created as a result of the repatriation of passport processing to UK. As I told the Committee, 166 jobs will be cut in the overseas network. IPS issue more than 10 times as many passports in the UK as we do overseas. When the process is brought back to the UK, they will be able to achieve economies of scale. This should lead to better value for money for the customer and the taxpayer.

In order to manage the additional work from the repatriation of overseas passport operations to the UK, IPS are evaluating the number of new Posts they will need. This is currently expected to be in the region of 100 staff.

FCO'S DECISION NOT TO BUILD A NEW EMBASSY IN KABUL

The Foreign Secretary has made clear the Government's long term political commitment to Afghanistan, including through the continued presence of our embassy in Kabul. We currently lease two compounds and a number of houses in Kabul that are adjacent to each other. The leases on the two compounds expire in the next few years. We have been considering whether we should seek to extend these leases or build a new embassy. Having assessed all the options carefully, Ministers agreed in January this year that we should seek to negotiate extensions to the leases on the existing compounds which house our office and some residential accommodation. This outcome reflected practical and resource considerations. Purchasing a site and building a new embassy would give us certainty and a base in Kabul that fully met our present needs, but it would also lock us into a particular configuration for the future. Our current premises work well in terms of security and operational effectiveness and we have invested significantly in them to make them suitable for our purposes. We also estimated that the purchase of a suitable site and construction of secure new offices and residential accommodation would require a capital outlay of around £60m.

DIPLOMATIC IMMUNITY FOR LOCAL STAFF

The Committee asked whether we have sought diplomatic or consular accreditation for particular members of locally engaged staff. As responsibility for local staff management is devolved to Heads of Mission, we do not hold this information centrally. We are consulting our Posts overseas and I will write again once I have further information.

16 November 2012

Supplementary written evidence from the Foreign and Commonwealth Office

I wrote to you on 16 November with some additional information on the closure of overseas Regional Passport Processing Centres (RPPCs) and our decision not to build a new embassy in Kabul. I am now following up with the additional information you requested on immunity for local staff.

The Committee asked whether we had sought diplomatic immunity for particular members of locally engaged staff. The Clerk subsequently clarified that you would like information on British missions overseas seeking such immunity from their host country since the current Government came to power in May 2010.

Local staff can be afforded limited privileges and immunities under the Vienna Conventions on Diplomatic/Consular Relations. If local staff are performing diplomatic/consular functions it may be possible to accredit them as diplomatic agents or consular officers, which would entitle them to immunity in respect of their *official* acts. However, consent is required from the host government for accreditation of local staff and can be withdrawn at any time. In addition, local courts can decide whether or not a particular act can be classified as “official”, and therefore whether to uphold immunity. That means there are limitations on immunity for our local staff.

During the period in question we have sought Consular and Diplomatic accreditation on 61 occasions in 37 countries. Such accreditation was granted for 45 officers in 28 countries, refused eight times in six countries and a decision is still awaited for eight officers in seven countries.

We take our duty of care to all our staff very seriously and use the Vienna Convention on Diplomatic Relations (VCDR) or the Vienna Convention on Consular Relations (VCCR) where possible to protect our locally engaged staff. We encourage posts to seek to accredit their local staff as diplomatic agents or consular officers if their roles merit this—the HR Director last wrote to all Heads of Mission on this subject in November 2011.

As the range of functions local staff carry out continues to develop we are looking closely at what we can do to ensure that we do not expose our local staff to unreasonable risks. We advise posts to consider carefully the issues concerning immunity. We are currently reviewing the guidance we issue to posts to help them make decisions on this as well as our guidance on duty of care issues for local staff.

11 December 2012

Supplementary written evidence from the Foreign and Commonwealth Office

Your Clerk wrote to the Head of the FCO’s Select Committee Liaison Team on 13 February seeking additional information on FCO staff turnover, training, and language proficiency requirements. The letter followed up on the evidence I gave the Committee on 6 November last year, when I answered questions relating to the FCO’s Annual Report. I have answered the questions in the order they were put in the letter.

Could the FCO please supply figures for staff turnover at each band for each of the last three years?

We have interpreted this to mean the movement of people between Bands and into and out of the organisation. The FCO’s operating model means that very few individual staff will have moved into a specific band and then out of it within a three year period. FCO Policy on ADC and postings generally excludes staff gaining two promotions within three years.

The average annual turnover rate in the FCO for the last three years has been:

- 8.1% in 2009–10.
- 6.8% in 2010–11.
- 6.9% in 2011–12.
- 6.7% in 2012–13 (year to date).

The table below represents the total inflow and outflow, by band, over the past three years. Since the recruitment freeze was announced in 2010, the FCO has only recruited in line with agreed exemptions: frontline and business critical posts and the Fast Stream. We have put robust systems in place to agree any exemptions. Due to the time taken from job offer to entry into the FCO, (not least because of the FCO’s thorough vetting process), the majority of the staff who joined in 2010–11 were recruited before the recruitment freeze.

<i>Inflows/outflows</i>	<i>Inflow 2009–10</i>	<i>Outflow 2009–10</i>	<i>Inflow 2010–11</i>	<i>Outflow 2010–11</i>	<i>Inflow 2011–12</i>	<i>Outflow 2011–12</i>
Band A	189	183	113	193	49	152
Band B	241	289	171	245	153	219
Band C	338	324	245	278	235	255
Band D	213	192	185	198	229	177
SMS	69	82	60	85	57	57
Total	1,050	1,070	774	999	723	860

The following three tables represent the number of permanent staff arrivals, departures, and movement through each band on permanent and temporary promotion.

<i>Staff joining the FCO through open competition and inward transfer</i>	<i>2009–10</i>	<i>2010–11</i>	<i>2011–12</i>
Band A	103	60	5
Band B	26	14	4
Band C	77	33	26
Band D	24	28	22
SMS	3	1	2

<i>Staff permanently leaving the FCO.</i>	<i>2009–10</i>	<i>2010–11</i>	<i>2011–12</i>
Band A	66	73	52
Band B	63	69	61
Band C	137	123	102
Band D	93	82	63
SMS	40	52	33

<i>Movement through permanent or temporary promotion</i>	<i>2009–10</i>	<i>2010–11</i>	<i>2011–12</i>
Band A–Band B	90	57	73
Band A–Band C	1	1	1
Band B–Band C	156	112	96
Band C–Band D	69	51	60
Band D–SMS	12	23	18

What training in international policy skills and negotiating skills is (a) offered to and (b) mandatory for staff at fast stream and higher grades? What percentage of staff at these grades participated in non-mandatory training in each of the last three years?

Over the last decade, the FCO has offered international policy skills and negotiating skills training to many sections of our workforce, including fast stream and higher grade staff. Formal training has taken the form of general internal courses; external courses provided by the National School of Government (to 2011) and Civil Service Learning (from 2011); and tailored courses, workshops and other opportunities organised by Policy Unit, individual Directorates and Posts (eg EU Directorate and UKRep Brussels on EU-related policy and negotiating skills). The FCO also promotes informal learning through peer groups, job shadowing, short-term attachments, lunchtime speaker sessions, and other non-course methods of achieving the same learning outcomes.

Although this training is not “mandatory” in the formal sense, all staff—and especially those in policy roles—are heavily encouraged to develop their skills through formal and informal learning. Policy skills are closely related to the “problem solving and judgement” and “strategic thinking” competences which form part of individuals’ annual appraisals and which are tested in the promotions process. All Fast Streamers who joined the FCO between 2010–12 have been asked to complete the “International Policy Skills for Desk Officers” and “Negotiating” course modules as part of their first year induction programme; the take-up for 2010 and 2011 intakes was 100%.

The FCO has just completed a reprocurement to refresh our training in core diplomatic skills. The “International Policy Skills for Policy Officers” module began in February; a new “Team Leaders” module will pilot in March; and a new “Policy Leadership” module for SMS staff will pilot in June. Our new “Negotiating Skills” module will start in March. We plan to roll out these modules overseas over 2013–14.

Since 2010, approximately 300 staff at Band C (including fast streamers) and Band D have attended central FCO-run policy skills or negotiating skills courses. This is around 12% of the total population at these grades. However, this is a substantial underestimate of the overall figure benefiting from training in this period, as it does not include those benefiting from training organised by individual Directorates and Posts (of which no central record is kept). It also does not include those who are pursuing the development of these core diplomatic skills through workplace and informal learning, perhaps having done formal training in previous years.

How many posts at (a) Head of Mission status and (b) other status have a requirement that the post-holder speaks the local language and what level of proficiency is specified? How many of those post-holders have passed FCO exams in the local language at the level of proficiency required?

We are in the process now of updating our language training records on the FCO’s management information system, “PRISM”. However, I can confirm that the FCO currently has approximately 800 speaker positions overseas where the ability to communicate effectively in the local language is considered essential. Of these,

105 are Heads of Mission. The “target levels” of language proficiency required for our speaker positions are aligned to the Common European Framework of Reference for Languages (CEFR) at A2 (“Confidence”), C1 (“Operational”) or C2 (“Extensive”) levels. Approximately 15% of the FCO’s speaker positions are at Confidence level, 65% at Operational, and 20% at Extensive. I will write again to the Committee before the Easter break with further details of our speaker positions, including those who have passed FCO exams in the local language at the level of proficiency required.

28 February 2013

Written evidence from the British Council

The British Council shares the UK’s most attractive assets, the English language, our vibrant arts and education sectors and our civil society with people around the world. This builds trust in the people of the UK. That trust builds relationships and a willingness from people to do business with the UK, visit the UK and study in the UK. We provide support to the UK’s long term prosperity and security. Our programmes also provide UK citizens with the international skills and opportunities recognised by businesses as critical to the UK’s future economic competitiveness.

THE IMPORTANCE OF TRUST

Trust is a critical asset for the UK. It is vital for our nation’s long term global standing, prosperity and security and a key aspect of commercial and diplomatic success on the international stage.

Research undertaken in 10 countries¹ by IPSOS Mori and YouGov on behalf of the British Council compared the trust in people from the UK with key competitors. It found the UK was well placed, especially in the economically critical BRIC countries. In all ten countries surveyed, the relationship between levels of trust and prosperity were clear. On average, those people who trusted the UK more were much more likely to have a higher interest in visiting the UK, studying in the UK, and crucially, in doing business with the UK. People in India who trust the UK are on average 24% points more likely to be interested in business opportunities. In China the increase is 19% points and in Brazil it is 22% points.

People who had engaged in cultural relations activity with the UK: learning English, study and education programmes or connecting through the arts, trusted people from the UK significantly more than those who had not. The power of English, education and culture was clear in all 10 countries, with rises in trust in the UK of +19% points in India, +15% points in China, and +10% points in Brazil. Learning English has the strongest association with greater trust in the UK and therefore with the growth of the UK’s soft power.

Soft power through cultural relations is recognised as increasingly important to geopolitical stability, international trade and security. The growing investment in cultural relations by leading economies such as China and Turkey is a sign of the emphasis which nations are placing on building trust with partners old and new. Importantly, because of the UK’s great soft power strengths, London remains a key focal point for many countries working to build a wider cultural presence around the world.

LONDON 2012

The Jubilee and the Olympics were once in a generation events that had a resonance far beyond these shores. Danny Boyle’s opening ceremony drew a global audience of 900 million. 2012 has raised the profile of the UK around the world. *Monocle* recently confirmed that the UK now tops the world “soft power” rankings, overtaking the US for the first time.

The Cultural Olympiad drew an audience of 20 million. For our part, we worked to enable a wide range of international cultural projects as part of the Olympiad. This included supporting theatre companies from Afghanistan, Brazil, Iraq, Mexico, Russia, South Sudan and Tunisia to perform Shakespeare in the native language of the cast at venues across the UK. We also brought UK and international disabled and deaf artists together in a series of unique collaborations as part of the Unlimited Festival that took over the South Bank during the Paralympics.

We have worked with UK and international partners on the International Inspiration programme. This has touched the lives of 12 million children in 20 countries through high-quality and inclusive physical education, sport and play. In Zambia, for example, we used the universal language of sport to engage young people, teaching leadership skills, educating them about how to protect themselves from HIV/Aids and helping them understand disability.

We have been working closely with the Foreign and Commonwealth Office (FCO), UK Trade and Investment, the Department for Business, Innovation and Skills and Visit Britain as a key partner in the GREAT campaign that has sought to maximise the economic potential of the Olympic and Paralympic Games. The GREAT campaign aims to increase revenue from tourism, trade and investment to the UK by attracting 4.6 million extra visitors and £1 billion of inward investment.

¹ Brazil, China, India, Pakistan, Poland, Russia, Saudi Arabia, Spain, Thailand and Turkey

FINANCE AND FUNDING

The Committee will be aware of the announcement in the Autumn Statement regarding further reductions in departmental budgets. We are currently in discussions with the FCO about the implications for our grant in aid and will advise the Committee in due course of the conclusions of those discussions and our response.

We recognise that at a time when Government spending has to be limited to tackle the deficit we must play our part. We are committed to increasing our public benefit for the UK while reducing costs and growing our self-generated income. Despite a £10 million reduction in our FCO grant in aid in 2011–12, we increased our turnover by £46 million. As the Committee is aware, while our grant in aid is falling, the proportion earmarked as Overseas Development Assistance (ODA) is rising. In 2011–12, £90.8 million, half of our £180.5 million FCO grant, was ring-fenced for official ODA work. Despite the restrictions on our spending and tax payer funding falling by 26% over the spending review period, we are successfully managing to maintain our scale and reach and are working towards our 2015 target of only 16% of our turnover coming from our Government grant.

We take an entrepreneurial public service approach, charging for services where clients can afford them to cover the costs of that service and in some cases provide a surplus that can be reinvested into our cultural relations programmes. Where we deliver under contract to governments, funders or donors, we aim for full cost recovery. All of our services, including our paid activities, are core parts of our cultural relations mission. They are an end in themselves, as well as a means by which we can generate a surplus to invest in other cultural relations work that we would not otherwise be able to undertake on behalf of the UK.

Using this model we generated a surplus of £24.5 million in 2011–12. The surplus we generate has enabled us to fund projects including:

- Global English—£3 million per annum for the promotion of English through digital learning materials, including mobile phone apps, and online courses/study material; and cultural relations activities, including policy dialogues, and supporting the development of English in public education systems.
- Brazil—£2.1 million over three years to support major new education, sports and arts programmes linked to the Olympic handover.
- Capitalising on the opportunities of the Olympics and Paralympics—Our London 2012 programme (£1 million) and supporting the GREAT campaign (£1 million).

These projects could not have been achieved without the surplus generated by our paid for services.

We are continuing to take a proactive and innovative approach to reducing our costs. We achieved our savings target of £26 million on grant costs in 2011–12 through a combination of staffing savings, rationalising back office functions and creating a more efficient and responsive network overseas. We are also rationalising our UK estate. This year we have sub-let two floors of our London HQ and reduced the footprint of our Manchester office by 30%. We have also completed relocations of our Belfast, Cardiff and Edinburgh offices to further reduce the cost of UK operations. This has resulted in a net saving of over £3 million.

To maintain our current level of impact in the face of any further significant reductions in Government grant would require hard choices. Replacing our grant like for like while maintaining current commitments would require us to earn a minimum of 10 times that amount. Whilst we will continue to increase our income generating activities, only the margin generated from these activities can contribute to core costs to replace our grant. Thus a reduction of £10 million grant would require an increase in revenues from income producing activities of at least £100 million. We are continuing to grow our income from our English language and contract work. To expand it further than current plans would, however, require us to withdraw services in some countries so we could focus investment in the most profitable markets. Our capacity to continue the current level of alignment with UK priorities and maintain a strong presence in challenging places that are strategically important to the UK but where it is not possible to generate our own income would therefore be put under considerable pressure.

OUR SCALE AND REACH

Our work around the world is growing. In 2011–12:

- We reached over 580 million people worldwide;
- We worked with 12.5 million people face-to-face, a significant increase on last's year figure of 10.3 million; 9.5 million people attended our exhibitions, fairs and festivals;
- In English we worked with 916,000 policy makers, Government Ministers, teachers and learners, 1.97 million exams candidates, 46.9 million website users and 103 million viewers, listeners and readers;
- In the arts we worked with 703,000 artists, art lovers, cultural leaders and Ministers, 7.4 million exhibition, festival, event and performance attendees and 146 million viewers, listeners and readers;

- In education and society we worked with 1.9 million education and citizenship exhibition and fair attendees, 8.6 million teachers, academics, education and youth sector leaders and young people and 13.5 million website users; and
- Our customer satisfaction is at an all time high at 83%.

In the past year we have opened in South Sudan. We have re-opened in Tripoli and Ramallah, and for the first time in over 10 years we are open for students in Iraq at our new teaching centre in Erbil. In contrast, we had to close our office and teaching centre in Damascus earlier this year as the security situation deteriorated.

We are investing in digital technologies to reach beyond the metropolitan centres where we have traditionally based our offices, libraries and teaching centres. We are delivering online services for teachers and students to develop their English skills and to share the UK's wider culture and values. We are also working with the BBC on Learn English radio and television broadcasts. Our Learn English mobile apps have also proved very popular. In the Middle East we have nearly half a million subscribers to our Learn English Facebook page.

We are also embracing innovation in our face-to-face engagement. We are increasingly working with Governments and teachers to raise standards of English teaching in public education systems. By improving the training of teacher trainers, we are able to reach far more young learners, cascading knowledge, helping access global networks and skills and improving life chances for many more people. Our Project English programme in India for example has already benefited more than 27 million learners and brought opportunities for professional development to more than 650,000 teachers and 6,000 teacher trainers.

We are also continuing to ensure that we develop our staff to work in new ways to achieve more impact for the UK. To ensure we have the right skills to build the global network of the future, this year we launched our own fast-stream programme for young graduates. In recognition of the importance of language to the success of our work, all of our graduate recruits must be fluent in at least one language other than English. These individuals will be amongst the future leaders of our global network.

We have been building on our work in 2011–12 with a number of major new initiatives:

China

In China Our *UKNow* cultural season saw over 200 events taking place across 29 cities over an eight month period making it the largest UK arts and culture festival ever held in the country. The festival has now reached over 3.6 million people.

Brazil

As part of the handover between London 2012 and Rio 2016 we are leading a major four year arts festival—*Transform*—to significantly enhance the UK-Brazil relationship. *Transform* has already seen 31 life-sized Antony Gormley figures installed on top of public buildings across central Rio de Janeiro and a UK focus at this year's Rio Film Festival which included an open air screening of Hitchcock's *The Pleasure Garden* on Copacabana Beach. We are also developing collaborations in the higher education sector, supporting 10,000 scholars and researchers to come to the UK through President Dilma's Science without Borders initiative.

Burma

We have been active in Burma throughout the country's long isolation providing support to students and to civil society. This year we were able to welcome Aung San Suu Kyi to speak at a British Council reception during her visit to the UK. We are upgrading the training capacity of up to 10,000 English teacher trainers, improving the English learning of some two million schoolchildren. This will be followed with training for teachers in the higher education sector. We are also managing the Burma Fund on behalf of DfID to distribute £2.3 million in grants to empower civil society groups and next year we will work with the British Embassy to hold the first English language literature festival in Rangoon.

Middle East and North Africa

We are working with young people across the Middle East and North Africa to help them develop the skills they need to improve their employment opportunities. We worked with 4.8 million young learners and teachers last year, delivering more than 125,000 IELTS examinations, giving people trusted qualifications for business and study. Through our Young Arab Voices programme we have helped 25,000 young Egyptians, Tunisians and Jordanians to develop the skills they need to help drive social change and build new institutions in their countries. Our recent submission to the Committee's Inquiry into the UK's relationship with Saudi Arabia and Bahrain sets out further details on our work in the region.

This year we held the inaugural Hammamet Conference in Tunisia. We brought together 80 senior leaders from Algeria, Egypt, Libya, Morocco, Tunisia and the UK to examine some of the major political, social and cultural issues emerging from the Arab Spring. The participants explored the difficulties facing leaders in North Africa and the UK, and in particular how they can respond to the rising expectations and engagement of young people in the region.

Sub-Saharan Africa

In just 12 months, a combined British Council and Microsoft team has established 90 “digi-hubs” in six countries across sub-Saharan Africa, trained 3,000 teachers to use IT equipment effectively and impacted the lives of over 100,000 students. We are building on the success of our partnership with Microsoft. Intel and World Vision have just signed an agreement with us to take the programme to even more schools in Africa, with World Vision contributing \$3.5 million.

BEYOND 2012

By continuing to share the UK’s most attractive assets, the English language, our vibrant arts and education sectors and our civil society with people around the world, we will build upon the successes of the past year and reach more people around the world. In doing so, we will build the trust that is essential to the UK’s prosperity, security and international standing, while continuing to bear down on our costs to provide the best possible value for money for UK taxpayers.

11 December 2012

Written evidence from the BBC World Service

BBC WORLD SERVICE—WRITTEN EVIDENCE TO THE FOREIGN AFFAIRS SELECT COMMITTEE FOR THEIR INQUIRY INTO THE FCO’S PERFORMANCE AND FINANCES 2011–12

INTRODUCTION

2012 was a year in which World Service marked its 80th anniversary, and embraced landmark changes including the move from iconic Bush House, its home for over 70 years, to the impressive high tech news and studio facilities at New Broadcasting House. Meanwhile, the challenges its journalists faced have never been so severe or varied—from increased harassment and intimidation to persistent efforts to censor the BBC’s news.

With global competition intensifying, and against the backdrop of a savings announcement for the final year of FCO funding 2013–14, BBC World Service (BBC WS) continued to balance tough organisational challenges alongside ensuring that audiences received the high quality journalism they have come to expect from the BBC.

2012 also saw the unfolding of a large number of major global news stories—including the London Olympics & Paralympics, the US election, the global economic crisis, unrest in Syria, and in Gaza & Israel, the Communist Party Congress in China, elections in Egypt and Somalia, and the deaths of leaders in Ethiopia & Ghana, all of which our journalists covered with their usual professionalism. The quality of BBC journalism led to an increase in audiences for 2011–12 with the weekly audience for BBC World Service standing at 180 million a week, a rise of 8%.

In a challenging few months for the BBC, changes at the top eventually resulted in the appointment of Lord (Tony) Hall as Director General. Although he does not take up his post until March 2013, the new DG visited World Service teams on the day his appointment was announced and expressed his appreciation of the BBC’s global role. BBC WS is looking forward to working with him as the move to Licence Fee funding in April 2014 approaches.

1. STRONG COLLABORATIVE JOURNALISM

In 2011–12, audiences continued to turn to BBC World Service to make sense of the big global stories. Here are some examples of the way BBC WS is using its global scope combined with regional expertise to benefit audiences:

- With the world’s attention on the UK for the *London Olympics, the Paralympics and the Diamond Jubilee*, the landmark *London Calling* season was a year-long celebration of the best of Britain in 2012 across BBC World News, BBC World Service and BBC.com
- Language reporters provided interviews and analysis on the Olympics across outlets, working together with BBC Sport. There was a strong social media buzz, in particular around the disqualification of the badminton players, leading to a significant uplift to the Chinese and Indonesian websites. Highlights of language service coverage of the Paralympics included an item on *The Secret of Ukraine’s success* by the Ukrainian Service, published on the BBC Sport online pages with an accompanying video, and a topical video from BBC Brasil comparing accessibility issues in London and Rio.
- BBC WS delivered strong coverage and thorough analysis of events in Syria as fighting escalated. The wider ramifications for the area were examined in detail by language service journalists in BBC Arabic, BBC Turkish, BBC Persian and BBC Russian together with BBC Monitoring’s regional specialists. Their sharing of content and expertise with the wider BBC has enriched coverage for all audiences.

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- The *anti-Islam film* was a major unfolding story filled with complexities and with huge ramifications for the international stage. Audiences were kept up to date with developments as the attacks in Egypt and then Libya unfolded and subsequently spread across the Middle East. BBC WS used its knowledge and expertise from its newsgathering operations across languages to great effect providing an open and tolerant platform for discussion and reflection, in comparison to the inflammatory and polarising approach of some competitors.
 - The news of the *Israeli air strike on Gaza* was broken by BBC Arabic radio and TV, as was the eventual ceasefire. Throughout the crisis BBC Arabic reporters gave interviews in English to other BBC programmes and outlets and helped BBC teams with logistics, translations and interviews. Online, the Russian Service had a large number of hits from Russian-speaking Israelis and BBC Persian audiences also engaged with the issues with more than 2000 questions sent in for a live chat on the BBC Persian Facebook page.
 - The shooting of 14-year-old Pakistani child activist, *Malala Yousafzai*, was a huge story across the media. BBC Urdu, who first ran her diaries in 2009, was credited across the BBC and externally. The expertise of the service was used to effectively tell the story—the Service's journalists featured right across the BBC's tri media output, appearing on BBC World News, BBC News Channel, Radio 5Live, the Asian Network, and Radio 2 to name a few.
 - For its *US election* coverage BBC Global News shared material and expertise across the BBC. Audiences were appreciative with record audiences to digital platforms. There was special live US Election night coverage on radio and television for which BBC WS teamed up with Radio 4. Meanwhile Arabic TV's impressive line-up of high profile guests, included the Tunisian Prime Minister and Iraqi and Yemeni Foreign Ministers, which was widely quoted in the Arab media the following morning.
 - Cross-departmental collaboration was invaluable in the BBC's coverage of the announcement of the *leadership change in China*. The presence of BBC Monitoring's Chinese Media Analyst on the China desk was a real asset with analysis used extensively online and on other broadcast outlets.
 - The year saw strong work from the African teams. BBC Somali was the first international Somali-language broadcaster to announce the long awaited election of the *new President of Somalia*. *Newsday's* coverage of the breaking news of the *death of Ethiopian PM*, Meles Zenawi, included a number of high profile interviews which were picked up by international news organisations. Following the sudden *death of the President of Ghana*, *Focus on Africa* produced a special programme on the implications for radio and TV within half an hour of the announcement of his death—a testament to the expertise and contacts of journalists at BBC Africa.

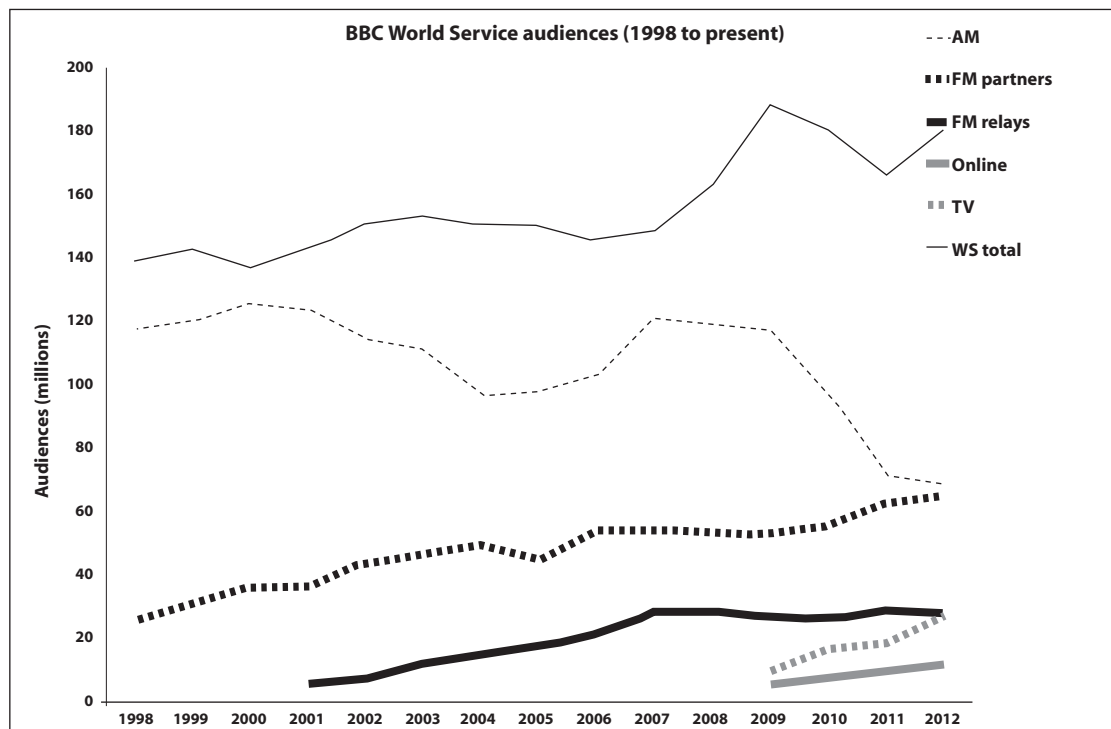
2. AUDIENCE FIGURES

The Global Audience Estimate for the BBC's international news services—including World Service, World News and bbc.com/news—rose to 239 million a week across radio, television and online—a rise of 6% from last year. This increase, driven primarily by the performance of BBC Arabic and BBC Persian services as tumultuous events in the Middle East and North Africa unfolded, was a further testament to the quality of BBC WS journalism. It occurred against the context of increased global competition, and significant Spending Review cuts.

It also showed that the BBC's global strategy, increasing access to content on TV and digital platforms, is working. BBC WS must continue to respond to the changing needs of its audiences to stay relevant. With the Chinese, Russian and Iranian Governments all pumping money into journalism designed to give their own perspective on the world, there is no room for complacency.

BBC World Service managed to increase its overall weekly audience to 180 million from 166 million in 2011–12 (an 8% increase). Audiences increasingly turned to the BBC for independent news they could trust. In a year of upheaval in the Arab world, the Arabic Service saw a record rise in audiences with 25 million adults weekly tuning in. BBC Persian TV doubled its reach in Iran, with an audience of 6 million people, despite facing a campaign of censorship and intimidation by the Iranian authorities. English language radio programming on the BBC World Service also performed well with audiences holding firm at around 44 million overall.

The platform on which BBC WS has historically been strongest—short wave radio—remains under great pressure as FM radio, TV and mobile phones offer compelling alternatives to audiences, even in less developed markets.



The global audiences for BBC World Service and the commercially-funded BBC World News and bbc.com were 145 million for radio (down 1% this year), 97 million for television (up 13% including a 45% increase in BBC World Service TV platforms) and 30 million for online (including a 20% increase for BBC World Service online). This includes a strong year for the BBC's international mobile services. The bbc.com mobile site reached 2.7 million unique users per week, a 30% increase from 2011.

These figures underline the international desire for the sort of independent journalism that the BBC provides. Globally, there remains a dire need for journalism that isn't slanted towards any one country, political or commercial viewpoint. It also demonstrates that people want to access the BBC on platforms relevant to them.

3. TV & MOBILE DEVELOPMENTS

BBC WS has responded to audience change through the implementation of TV investment plans aimed at reaching different audiences around the world who are changing the way they consume their news.

June marked the launch of *Focus on Africa* on BBC World News television. This new programme, presented by Komla Dumor, is also available on a number of partner networks across Africa, including Metro TV in Ghana, and partners in Kenya, Tanzania, Uganda, Sierra Leone, Malawi, Zambia and Namibia.

The audiences in Africa are very important to BBC WS, accounting for a quarter of the Global News Audiences and the BBC is the largest international broadcaster on the continent. An important part of the new 30 minute programme's remit is to make the biggest international stories relevant for an African audience, as well as telling the story of modern Africa.

Feedback received so far has been very positive with messages of appreciation received from a wide spectrum of audiences across the continent and beyond, including from President Nelson Mandela's family, thanking the BBC for "...letting Africa shine and the story of Africa be highlighted to millions of people..".

Focus on Africa's launch was followed later in the summer by the launch of the Swahili African TV Bulletin *Dira Ya Dunia (World Compass)*. This is carried on *Star TV* in Tanzania and on *QTV* in Kenya, and has generated great interest from DR Congo, Rwanda, Burundi and Uganda. In its first week, the programme had exclusive interviews with the Presidents of Tanzania and Burundi.

In addition, as part of the plan to boost the BBC's services to Africa a new radio programme *Newsday* was launched on World Service in July, with a particular focus on the World Service breakfast audience in Africa. The show is co-presented live from Johannesburg and London and is broadcast globally for five and a half hours every Monday to Friday.

Subsequently in November BBC Hindi successfully launched *Global India*, a weekly 30-minute magazine-style TV show, run on partner stations in India, bringing world news to Hindi-speaking audiences and building on the existing brand and profile of BBC Hindi. This sits alongside the reduced Hindi short wave service which is under review but which will continue at least until March 2014.

The above developments build on BBC WS efforts to offer a richer multimedia experience to its audiences around the world, complementing the BBC Russian IPTV bulletins launched in March (a 10-minute news bulletin broadcast via Russia's 24-hour live Internet Protocol Television channel, Dozhd TV, also available via the website bbcrussian.com), and Turkish TV—now offering a second programme World Economy on international business and finance.

There are also plans to introduce an Urdu TV bulletin over the next few months.

These programmes represent cost-effective ways of reaching new audiences. In total we estimate these services may reach at least 5–10m viewers every week within the first year of launch at an estimated cost per user of 40–70p, compared to a typical World Service benchmark cost of £1 per user.

Meanwhile, the BBC Arabic and Persian TV channels continue to attract high audiences with innovative programming. One such example was the highly acclaimed joint BBC Arabic/Newsnight investigation into *"Mubarak's Millions"*.

The main mobile phone development was the roll out of new "Responsive" technology. This tests the capacities of phones and gives users the best experience their phone can manage—an important development for the World Service whose audience use anything from old Nokia phones to the latest Apple smartphones. The roll out started with BBC Indonesia and will continue with Hausa and Russian—all World Service languages will eventually benefit from this technology. The World Service has also produced Smartphone apps for five languages and Nokia phone apps for eleven languages giving the BBC a presence in the biggest Appstores in those markets.

4. MEDIA FREEDOM

Concerns have been growing about the global threat to impartial and independent news through censorship and intimidation. The deliberate jamming of BBC services (World News, World Service English and BBC Arabic) in Europe and the Middle East in October 2012 was one such example. BBC World Service strongly condemns these practices and has joined other international broadcasters who are affected in calling for the end to such blatant violation of international regulations concerning the use of satellites.

BBC WS held a special conference at New Broadcasting House in November—International Broadcasting without Barriers—to discuss this growing threat of satellite and internet blocking. The event brought together 120 delegates from a variety of global broadcasters, satellite operators, regulators, and politicians to consider what political and technical steps can be taken to make the distribution of media less vulnerable to interference. Continued UK cross-party political support on this issue will be important in helping to maintain international pressure.

There were also issues around the safety of BBC journalists, and their families. In Iran, intimidation of the families of BBC Persian staff caused grave concern for the BBC—both the BBC's Director General, and the Director of BBC Global News spoke out on the issue, calling for governments and international regulatory bodies to put maximum pressure on Iran to desist in its campaign of intimidation and persistent censorship.

The human impact of the continuing Israeli and Palestinian violence was shown by the sad death of the baby son, brother and sister in law of BBC Arabic Picture Editor, Jihad Masharawi, in the strikes on Gaza. There were several incidents in Syria including the detainment of a BBC Arabic correspondent, which highlighted once again the dangers journalists face in highly hostile environments. Another alarming development was the Taliban's threats to BBC journalists in Pakistan. The safety of BBC journalists is paramount and the BBC WS has taken steps to protect all staff working in dangerous circumstances.

As ever, BBC journalists showed their professionalism in their commitment to covering such stories despite the threats to their own safety.

Meanwhile, there was some positive news from Burma. Following the easing of media restrictions, a BBC WS/BBC Media Action fact-finding mission resulted in permission from The Ministry of Information in Burma for BBC Media Action to open a project office to deliver a training and development package for Burma's broadcast sector. This will offer long-term editorial, content and technical support to state and commercial broadcasters. The project office will also provide a base for more regular reporting visits for BBC News and BBC Burmese and should, if things continue to progress, be the site of a bureau. The BBC is hopeful that other avenues for its output in Burma will open up.

Earlier in the year, BBC WS was honoured to welcome Aung San Suu Kyi, to its new home at New Broadcasting House. The visit was a major event for BBC Burmese, whom she especially asked to meet. She spoke movingly of what the World Service meant to her during the 15 years she spent in isolation under house arrest at her Rangoon villa.

The speed of media change in countries that have been—and still are—highly repressive reinforces the need for BBC WS to modernise even further to be as effective as possible in meeting its mission.

5. AWARD SUCCESS

The quality of BBC World Service programming has been recognised this year by several prestigious awards including:

- Four awards from the *Sony Radio Academy*, the leading awards body for the radio industry in the UK, including Gold for *Best Live Event Coverage* for the Royal Wedding, Silver and Bronze in the *Best News Feature/Special/Documentary* for *Assignment* and *The Kill Factor* respectively, and Bronze in the *Best Speech Programme* category for *World Have Your Say*.
- *Assignment: Haiti's Cholera Epidemic* won the radio award in the *One World Media Awards*.
- NAI (the organisation supporting Open Media in Afghanistan) awarded BBC Afghan Service staff *best reporter of the year* and *best producer of the year*, demonstrating how highly regarded the BBC Afghan service is in Afghanistan and acknowledging the valuable service it delivers to audiences there.
- Three *Association of International Broadcasting Awards* went to BBC WS for: *Clearest live news coverage, radio* for *Sudan Independence*; *Best radio creative feature* for *Knitting in Tripoli*; *Best radio current affairs documentary* for BBC Arabic's *The Women of Tahrir Square*.
- *The Boy with the Violin*, a collaboration between BBC Sinhala and WS English, won in the *Radio Documentary category* at the *ABU (Asia-Pacific Broadcasting Union) Prizes 2012*.
- Former Romanian Service head, Ruxandra Obreja, received the *Cross of the Royal Household* from King Michael 1st of Romania for her services to broadcasting and contribution to the wellbeing of the country through the broadcasts of the BBC. The award also recognised her current work as chair of the DRM consortium (Digital Radio Mondiale).

6. COMMERCIAL FUNDING UPDATE

Following the 2010 Spending Review settlement, BBC World Service was tasked by the Government to seek an additional supplementary commercial funding of £3 million to offset declines in the grant-in-aid. In response to this and in discussion with the FCO, BBC WS has been exploring proposals including the potential for advertising around a number of World Service language websites (Spanish, Arabic & Russian)—two of which are now up and running—as well advertising on a single FM frequency in Berlin, which is now being piloted. Details are as follows:

- Advertising on the BBC Arabic website commenced on 19 June, followed by advertising on the BBC Mundo website on 27 June. The adverts are only visible to people accessing the BBC from outside the UK. BBC WS has received very few complaints regarding the launch of Arabic and Mundo digital advertising. In terms of web site performance, there have been no discernible changes to traffic or engagement which can be attributed to the launch of advertising.
- There are plans to commence advertising on the BBC Russian website from December.
- Advertising on the Berlin FM relay commenced on 6 September, and is running as a pilot for 12 months. A small number of complaints were received at the time of the launch.

BBC WS is adopting a careful and measured approach, with these proposals deliberately contained so it can assess how they work in practice. Any further commercialisation would be subject to BBC Trust approval. While extra commercial revenue could make a difference, this would only contribute a small proportion towards BBC WS's overall funding.

The BBC has a track record of managing commercial activity through BBC World News TV and the international BBC.com website, and the BBC's reputation for providing impartial and independent news will always take precedence over commercial goals.

7. MOVE TO NEW BROADCASTING HOUSE/NEWS INTEGRATION

On Sunday 11 March 2012 the BBC's Burmese Service was the first programme to broadcast live from new Broadcasting House. This marked the start of the BBC World Service's move from Bush House to a new state of the art, multimedia broadcasting centre in the heart of the capital.

The last broadcast from Bush House took place on Thursday 12 July at 1200—the bulletin included a tribute to the World Service and Bush House by former DG, Mark Thompson. It was an emotional event which elicited public and media interest the world over. The occasion was a fitting tribute to the spirit and ethos of Bush House which BBC WS will carry with it to its new home in New Broadcasting House.

For World Service staff now based at this purpose built state-of-the-art broadcasting headquarters, it is an exciting new period. BBC World Service is being joined by colleagues from BBC News, BBC Vision, BBC Audio and Music as well as other divisions, and will be at the heart of one of the largest multimedia, multilingual newsrooms in the world. Journalists who serve UK and global audiences will be brought together for the first time. BBC coverage of international news for audiences in the UK will be strengthened by working alongside colleagues from World Service.

New Broadcasting House offers new studios, new operating systems and new technology. But more than this, it offers journalists a purpose-built newsroom fit for the 21st Century, truly transforming the way journalists work. The newsroom will enable the right teams to work together to support the sharing of ideas and content.

BBC WS is looking forward to making the most of the new opportunities this will bring, whilst ensuring it retains its unique character and its position as the world's most respected and most trusted broadcaster.

8. SPENDING REVIEW SAVINGS PLAN UPDATE

Following the Government's 2010 Comprehensive Spending Review BBC World Service announced a savings plan in January 2011 to meet cuts of 16%. This required a savings target of £42 million by April 2014, of which nearly £30 million has already been achieved through amongst other things the closure of five language/regional services, and the ending of radio in seven languages.

In October this year BBC WS announced savings for the final year of FCO funding (2013–14). These savings are part of the original three year restructuring plan announced in January 2011, and are unrelated to the World Service's move to Licence Fee funding in April 2014.

This announcement included changes to programming, staffing, scheduling and distribution which will save a further £12 million. Although there will be no further language service or platform closures, the changes will unfortunately result in 73 post closures.

The changes announced aim to minimise impact on BBC WS journalistic resources, and on audiences, whilst making the savings required for the final year of FCO funding. Distribution of BBC World Service has changed significantly in recent years as alternative means of accessing media have proliferated. Short wave audiences are declining as radio audiences come to rely increasingly on medium wave and FM, and there has been a rapid growth of TV and digital media. In the Arabic speaking world in particular, satellite television is now widely available. Many urban areas also have access to FM radio broadcasts. BBC WS has responded to changing audience needs by launching a network of FM relays, a 24-hour television channel and the bbc-arabic.com website.

Consequently, we announced a series of distribution changes (due to take effect from March 2013):

- The ending of Arabic *short wave* to the Middle East. However, in Sudan, where there is a strong need for humanitarian information and limited access to other media, a short wave service will continue.
- A reduction in English *short wave* to the Middle East.
- Reductions in the Arabic *medium wave* service although medium wave to the Gulf States will remain unchanged.
- The English *medium wave* service to Israel, Lebanon and Jordan will be reduced. Where possible medium wave has been retained during peak hours when audience reach is greater.
- As a result of these changes, the short wave transmitting station in Cyprus, which is managed by Babcock and staffed jointly by them and local FCO staff, will close.

Other changes included:

- Changes to the World Service English schedule including a new simplified global schedule with fewer regional variations.
- The introduction of a new programme, *The Slot*, which will feature arts and culture coverage, and the closure of *The Strand*.
- Operational and transmission changes to language services—Year 3 savings affect a number of services which were not required to make changes in Years 1 and 2 of the Spending Review settlement. In some language services, post closures will be mitigated by the creation of new posts in bureaux overseas.
- The English Language Teaching team will reduce their commercial activity to focus on public service provision.

The NUJ and BECTU have been notified of the proposed changes and the senior management team is consulting both them and staff affected to look for ways to reduce the number of compulsory redundancies.

The changes are in line with BBC WS's overall strategic aim of ensuring that it is able to respond to changing audience needs and invest in the way audiences consume news.

9. MOVE TO LICENCE FEE UPDATE

As part of the BBC's Spending Review settlement with the government, it was agreed that the World Service would be paid for from the Licence Fee from April 2014.

As the Committee is aware, the Chairman of the BBC Trust, Lord Patten, and Mark Thompson, the former Director General of the BBC, have made it clear that they will continue to support the World Service once funding transfers to the Licence Fee.

In addition, an international Trustee, Lord Williams of Baglan, has been appointed who chairs a special Trust Committee set up to monitor the BBC's international public services, including the World Service. It expects to meet four to six times a year, with the next meeting due to take place in mid-December.

The relationship between BBC WS and the FCO is governed by two documents, the Broadcasting Agreement and the Financial Memorandum. The position from 2014, when BBC WS transfers to Licence Free funding, is set out in an Amended Agreement laid before Parliament in September 2011. The Amending Agreement stipulates the following:

- the BBC will provide the World Service to overseas audiences and establish governance and funding arrangements for the provision of the World Service;
- the Trust will be responsible for determining how the World Service fits into the overall BBC strategy and for approving the budget of the World Service;
- the BBC Executive will be responsible for delivering the World Service and will be accountable to the Trust, with the objectives, targets and priorities of the World Service agreed by the BBC and the Foreign Secretary. As now, the World Service must comply with the BBC's Editorial Guidelines, as far as appropriate as determined by the Trust;
- the World Service will operate under an Operating Licence issued by the Trust to align the World Service accountability framework with that used for the BBC's UK public services; and
- the Trust will have the discretion to decide the contents of the World Service's Operating Licence specifying the following minimum requirements:
 - the BBC may not start a new language service or stop providing a language service without approval from both the Trust and the Foreign Secretary; and
 - the Trust must approve any other "significant change" to the World Service and justify its decision with reference to public value. The Operating Licence will define "significant change" for this purpose;
- with regard to the performance reporting and review requirements for the World Service, the BBC must include reasonable detail on the performance of the World Service in the BBC's Annual Report;
- the Trust will be able to review particular aspects of World Service at its discretion but it must carry out a review of the whole World Service every five years;
- the Trust is required to take appropriate account of the views of both licence fee payers and overseas audiences; and
- the World Service may receive non-licence fee income from the Government for specified projects if both the BBC and the Government agree. Any such specific project must be approved in advance by the Trust.

The BBC Trust will now establish an Operating Licence for the World Service, which defines the World Service, establishes the budget for the service, sets out how the World Service contributes to the BBC's public purposes, and defines how the Trust will consider proposed changes.

In accordance with the agreement the BBC Trust has with the UK Government, the Trust will agree the "objectives, targets and priorities" of the World Service with the Foreign Secretary. Once agreed, these will be contained within the Operating Licence.

The BBC Trust's objective in implementing the new governance arrangements for the World Service, is to align (as much as possible) the Trust's approach to governing the BBC's international public services with the way that it oversees the UK Public Services. For the UK Public Services, these are governed by Service Licences which, as set out on the BBC Trust website, describe the most important characteristics of the service. Service Licences are the core of the BBC's governance system. They aim to provide certainty for audiences and stakeholders about what each BBC service should provide.

The Trust uses Service Licences as the basis for its performance assessment and as the basis for its consideration of any proposals for change to the UK public services from the BBC Executive. A service may not change in a way that breaches its Service Licence without Trust approval.

As part of the process of establishing a Service Licence, the BBC Trust carries out a public consultation.

Supplementary written evidence from the BBC World Service

Q121: BBC WORLD SERVICE RADIO REACH

BBC World Service (BBCWS) is not available on traditional radio—ie short wave (SW), medium wave (MW), FM or via partners—in the following regions:

Europe, including Russia (excluding the Baltic states where we have FM transmitters)

Central and South America (excluding the Caribbean where we have FM transmitters and partners)

North Africa excluding Libya (where we have some FM transmitters), Egypt (where we continue to provide Arabic MW), and Sudan (where SW was retained)

In many areas where our radio broadcasts have stopped, audiences continue to be able to access programmes via the internet using a variety of devices including pc's, internet radios and wifi connected mobile devices. For European listeners World Service programmes continue to be available via satellite TV or local cable operators. In the UK, World Service is available on DAB radio. In addition, BBC World News television is widely available, and Arabic TV is available across North Africa, as well as the Middle East.

7 March 2012

Written evidence from Simon Fraser, Permanent Under-Secretary and Head of HM Diplomatic Service for Foreign and Commonwealth Office

THE FCO'S NETWORK SHIFT IN EUROPE

I wrote to you on 25 January with the latest quarterly update on FCO Management Issues, in which I mentioned our Network Shift. I am writing today to tell you how we are re shaping our network in Europe in line with the Network Shift programme, and what these changes will mean for where and how we provide services in Europe.

My next quarterly update will follow later this month.

OVERVIEW

Implementation of the Network Shift programme announced to the House by the Foreign Secretary in May 2011 has continued, and we remain on track to complete the shift in resources by April 2014. He described what we have done at the Lord Mayor's Easter Banquet last week.

In his announcement to the House, the Foreign Secretary outlined a programme to increase our presence in the emerging powers and strengthen the UK's diplomatic network as a whole. He explained that, in order to fund this expansion, we would re-examine the role of the network of subordinate posts in Europe, as well as reduce our footprint in Iraq and Afghanistan as our policy objectives in these countries evolve.

The Foreign Secretary also made clear that we would maintain our Embassy network across Europe. This reflects the fact that, despite the rise of Emerging Powers in Asia, Latin America and Africa, our prosperity, security and consular interests within Europe remain vitally important. European trade is essential to our economy. In his announcement, the Foreign Secretary also identified Turkey as one of the countries in which the UK's diplomatic presence would increase.

RESHAPING THE NETWORK IN EUROPE

As part of the Network Shift programme we are reshaping our Europe network in the following ways:

Increasing our diplomatic resources in *Turkey* by three UK based diplomats and twice that number of additional locally engaged positions at our Embassy in Ankara and Consulate General in Istanbul. These additional staff will focus on extending the political relationships that support British business in Turkey; strengthening cooperation on trade relations, Doha and the G20; and increasing our coverage and analysis of Turkish external relations and internal political developments. We have raised the rank level of the Consul General in Istanbul. We are also establishing a new Honorary Consul network of economic and commercial diplomacy advocates in fast-growing business centres of Turkey where we are currently not represented.

Restructuring our *subordinate post network and delivering efficiencies from the largest sovereign posts in Europe* (Paris, Madrid, Rome, Berlin) and the Nordic/Baltic Network (Copenhagen, Helsinki, Oslo, Reykjavik, Riga, Stockholm, Tallinn, Vilnius). This includes withdrawing diplomatic resource from the larger *subordinate* posts in Europe except Istanbul, using new ways of working to ensure that we continue to promote and protect British interests, in particular British exports and investments and the provision of consular services.

Changing the *consular delivery model*: New ways of working have meant that we no longer need large established Consulate offices in, for example, Florence and Venice, where the bulk of routine consular services are being delivered by consular hubs in Rome and Milan; or Funchal and Lille, where routine calls are now centralised and we still provide a good service to customers through other arrangements in France.

The Iberia regional consular operation has led the way on innovation, with the Malaga Contact Centre resolving 83% of calls across a network that now includes Italy and Malta as well as Spain and Portugal. The work of our Consular team in Spain has recently been featured in a Channel 4 documentary series. A similar contact centre has opened in Marseille. Across Europe our consular services are exceeding targets and adapting to changing customer demands and the opportunities of new technology to deliver more for less.

We have expanded our Honorary Consul network to provide urgent face to face consular support in some areas of the wider network. In Lille, consular services are provided by staff based in Lille, but who split their time between working from home and Paris, which has enabled us to withdraw our Consul General and close the Consulate office without changing the levels of customer service. Consular staff continue to undertake prison and hospital visits, with regular outreach visits to important stakeholders in the Channel ports and Eurostar terminals. Our offices in Bordeaux and Lyon are also being reconfigured in line with UKTI and Consular business with consequent savings in rents.

In line with the changes to the delivery of consular services, we plan to re-structure our consular services in Naples in summer 2012. The Consulate office will close to the public but we will retain a small consular assistance team in the City, and in due course will appoint an Honorary Consul to provide face to face service for urgent consular assistance, with calls being handled by a contact centre and escalated to staff on the ground as necessary.

We continue to work with UKTI colleagues to find innovative ways to save on FCO support costs as part of their ongoing effort to bring resources in line with business demand and opportunity.

Modernising Corporate Services: Where it meets our needs we are creating hubs in Europe to deliver corporate services for our Embassies and High Commissions such as accounting, financial analysis and HR management. Through standardising service provision and economies of scale we are achieving efficiencies from our larger sovereign posts and the Nordic/Baltic Network, and reducing our overall headcount. This is aligned with the wider corporate services programme being implemented under the FCO administrative savings programme, for example significant hubbing and savings have been achieved in the Central European Network and Benelux.

Through this work in France we have rationalised seven corporate services positions in four posts into two additional positions in Paris. In the Nordic Baltic Network a financial transaction processing hub in Vilnius now services seven countries and has reduced its regional posts' financial transaction workforce by 45%.

EVALUATION

As I said in my January letter, we have put in place an evaluation process which will involve a six monthly impact assessment of the implementation of the overall Network Shift programme. The changes in Europe will be assessed within that process.

2 April 2012

Written evidence from Alistair Burt MP, Parliamentary Under-Secretary of State, Foreign and Commonwealth Office

FOREIGN AND COMMONWEALTH OFFICE STAFF HEADCOUNT

Since September 2012 we have been re-examining our management information to clarify and make consistent our definition of "headcount" prior to reviewing our Strategic Workforce Plan this coming April. Our workforce is increasingly diverse with a number of shorter-term appointments eg secondees, Interns and Agency staff. You will recall we have discussed in the past some of the other considerations which affect our public disclosure in detail of staff numbers.

One result of this review is that apparent discrepancies have emerged with the figures for full time equivalent (FTE) staff and headcount that we have published in the past and presented to the FAC. The Post data are not incorrect but the methodology has evolved. Adjustments to add or subtract new employee categories reflecting Cabinet Office and Office of National Statistics guidelines, have made it increasingly difficult to compare like with like. But as a result of the review we now have a better understanding of who to include in scope for workforce planning and reporting purposes which should ensure greater consistency in future.

To this end we have decided to recalculate the CO headcount for the past five years using the new ONS methodology. This means that the figures presented in previous Annual Reports will no longer match, and it is important to explain this as we receive regular enquiries about our headcount from Parliament, the public and the Media. These revisions do not affect recent strategic initiatives, for example the decision to decrease the number of Band A and B positions overseas and the use of voluntary exit schemes, to help reduce the size of our workforce within the current spending round.

Our intention is to be as open and transparent as possible. The FCO Management Board recently endorsed proposals to publish more management information online to support the Government's Transparency Agenda.

This will include regular updates on our headcount and workforce profile. We trust that this will reduce the number of enquiries we receive but, we will continue to respond positively to all requests.

26 February 2013

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